

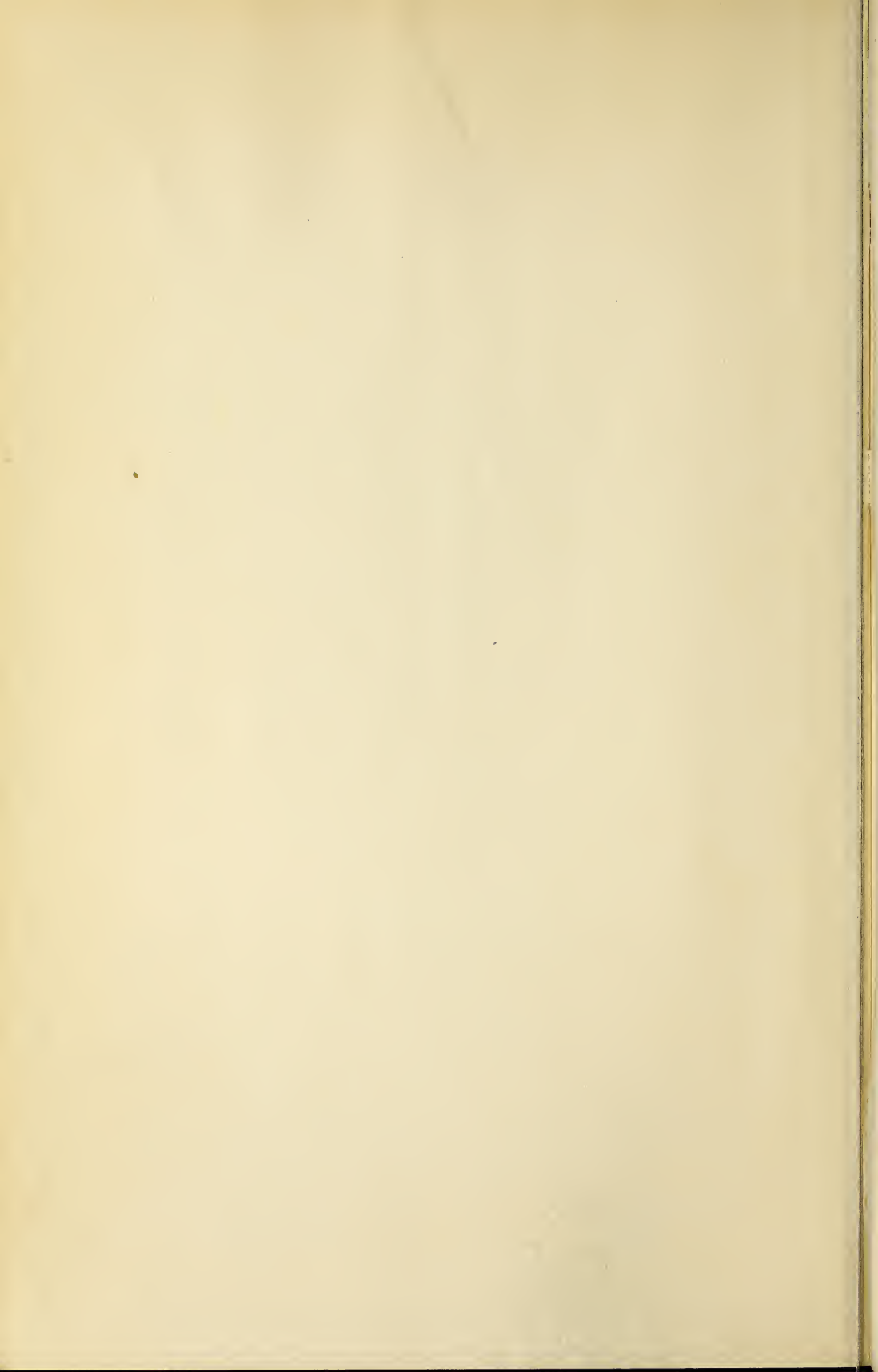
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# THE SPIRIT OF AMERICAN ECONOMICS

*A Study in the History of Economic Ideas in the United States  
Prior to the Great Depression*

by

J. F. NORMANO

with a supplement

THE DEVELOPMENT OF CANADIAN ECONOMIC IDEAS

by

A. R. M. LOWER

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The immediate object [of political economy] should be to instruct governments how to legislate, and not individuals how to get rich.

*Daniel Raymond* (1820)

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J. F. NORMANO

*Formerly Lecturer on Economics, Harvard University*

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TO HER



## FOREWORD

EXPLORATIONS into the development and transplantation of ideas have attracted my interest since the beginning of my studies in economics. Whether investigating the origins and history of Russian banking, studying the international struggle for South America in the twentieth century, or following the fate of Brazil, I have always tried to penetrate the ideological background and to discover the dominating economic ideas and their genesis, basis and weight. Many years ago I started collecting material on the history of economic and social ideas in certain literatures, being particularly interested in the analysis of world-long waves of these ideas and their inter-influence with economic life. I applied this analysis especially to the penetration and diffusion of the doctrines of Saint-Simon. I enjoyed the study of the neglected utopian Cyrano de Bergerac, and followed the evolution of some modern economists. One of the first courses I gave at the beginning of my teaching career was devoted to the history of social utopias. In one of my more recent studies I investigated the utopias of American literature. And I am at present engaged in the study of the economic ideas of the Catholic Church as well as of various other phases of history of economic thought.

Since my arrival in this country in 1930 I have played with a desire to examine the evolution of economic thought in the United States, but have met with outspoken discouragement on the part of my senior colleagues as well as of my younger ones. Most of them denied the very existence of any genuine American economic thought.

The inspiration, stimulation and assistance of my wife influenced me to finally launch this enterprise, but it is with a certain temerity that I have begun this hazardous undertaking. Yet the fascination of the work has compensated me generously for all my earlier fears. I did not find myself communing with ghosts, as I had been warned, for some of the tales of departed writers

were alive, and I became enlightened — as I hope my readers will be also — concerning the spirit of American economics.

The present study does not offer a finished fabric but a few bright threads. It is not a full-dress history but a preliminary essay, and disproportion is the privilege of essayists. It is a history of ideas and not of books. I accept Montesquieu's statement that "one must not always finish a subject to leave nothing for the reader to do. The object is not to make others read but to make them think." For this reason no attempt has been made to present an artistically balanced account; the intention was only to furnish a background for the leading currents of thought in the history of this country. I hope that my critics will comply with Pope's dictum:

"In every work regard the writer's end,

Since none can compass more than they intend."

I believe with Sir George M. Trevelyan that literature should be read in the light of history, and that history should be written as though it were literature. I have tried to remain faithful to this belief in composing the pages that follow.

I have been fortunate in being able to discuss some of the ideas of this book with Professor Edwin F. Gay and with Professor Wesley C. Mitchell. I should like them to consider this acknowledgement as a token of my gratitude for their kindness and encouragement. Dr. Frederick Pollock, Acting Director of the Institute of Social Research, Columbia University, not only extended to me the benefit of his scholarly criticism and suggestions, but, together with Dr. Felix J. Weil, who prepared it for press, was instrumental in making the publication of this volume possible. I am indebted to my wife for her painstaking labor in the search for and the preparation of materials. In this work she has enjoyed the generous help of Mr. Walter B. Briggs, at the time Associate Librarian, and of Mr. Robert H. Haynes, Assistant Librarian of the Harvard College Library, and of their staff.

The manuscript has been edited by Mr. Joseph Tuckerman Day of Hingham, Massachusetts.

J. F. N.



## I

# INTRODUCTION

D'ALEMBERT once said it is useless to study the errors and antiquated opinions of former times; that our duty with regard to errors is not to revive them, but simply to forget them. This statement is typical of the naturalists of the eighteenth century, who had a tremendous influence on the development of political economy, and it is not surprising that J. B. Say gladly subscribed to the opinion of d'Alembert.<sup>1</sup> But is not an error a stage in the development of truth? Is it necessary to recall Herbert Spencer's version of the saying of Shakespeare, that there is no species of error without some germ of truth within it?

An interest in the history of ideas has not become popular in the United States. The modern student finds in this respect a *tabula rasa* in all the fields of social science. The late Vernon L. Parrington complained of the "present lack of exact knowledge in connection with the history of American letters."<sup>2</sup> Charles E. Merriam observed that "the development of American political theories has received surprisingly little attention from students of American history."<sup>3</sup> The only great studies of American democracy have been made by an Englishman, a Frenchman, and a Russian—Bryce, De Tocqueville, and Ostrogorski.

The history of economic ideas in the United States may be described in a similar way: it does not yet exist. If we follow carefully the writings in economics since the casual expression of

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1. "What useful purpose can be served by the study of absurd opinions and doctrines that have long ago been exploded, and deserved to be? It is mere useless pedantry to attempt to revive them. The more perfect a science becomes the shorter becomes its history." *Traité d'économie politique*, vol. II, p.540.

2. *Main Currents in American Thought*, vol.II (New York, 1927), p.x.

3. *A History of American Political Theories* (New York, 1926), p.vii.

economic ideas in the early nineteenth century, and up to the period of overproduction of professional economists in the twentieth, we seldom find any traces of curiosity concerning the history of thought.

But why has not history of our subject ever been written? The answers vary between the famous statement of De Tocqueville that "the spirit of Americans is averse to general ideas," and explanations that frontiersmen have neither the time nor the inclination "to sing the epic of the pioneer."<sup>1</sup> Charles F. Dunbar, in his pioneering attempt to present an inventory of economics in this country, combined and generalized these two answers, insisting that "it is necessary...to look deeper...for the reason for the general sterility of American thought upon this subject, and the failure of our scholars as well as statesmen to contribute our share in the progress made by the world. For the explanation we must look to the causes which have made the progress of the United States so slow in philosophy, in pure mathematics, and in abstract science generally, in philology, in the more recognized historical investigations, and in the higher generalizations in physics. Our position as a nation charged with the business of subduing a new world, and the rapid material development which has attended our success in this work, have given to our life for the greater part of the [nineteenth] century an intensely practical aspect."<sup>2</sup>

This explanation that *im Anfang war die Tat* has been willingly accepted and repeated by generations of thinkers. Two decades after the publication of Dunbar's essay, Sidney Sherwood declared that "much of our economic literature, like Caesar's commentaries, has been written on the march,"<sup>3</sup> and times

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1. A similar explanation of American sterility in philosophy was given by A. L. Jones: "A historical view of the progress of philosophical thought in America reveals little that can be classed as distinctively American. The general attention of the people has turned to what is practical.... Such an attitude is inevitable in a young and growing people." *Early American Philosophers* (New York, 1895), p.7.

2. "Economic Science in America, 1776-1876," in *North American Review*, January, 1876. Reprinted in *Economic Essays* (New York, 1904).

3. *Tendencies in American Economic Thought* (Baltimore, 1897), p.7.

of action are, as we know, not notable for learning. The same explanation was given by the Englishman J. K. Ingram, who held the "absorption of the energies of the nation in practical pursuits"<sup>1</sup> responsible for the backwardness of political economy in the United States. Even Richard T. Ely, in his autobiography, accepts this standpoint. "Throughout the first half of the nineteenth century," he writes, "our forbears were, generally speaking, too much engaged in the stupendous task of 'subduing a continent' to reflect deeply on their activities."<sup>2</sup>

This explanation is not satisfactory when applied to the peculiar lack of interest in the history of economic ideas in this country. It is true that many economic writings were produced on the march and with a distinctly practical aim, but the study of ideas is rather the occupation of professional scholars than of combatant politicians, propagandists, and business men. Why have academic economists in the United States silently adopted d'Alembert's dictum? I believe that this apathy is not a specific characteristic of American economists but that it is rooted in Anglo-Saxon economics. Richards, the English translator of the well-known *History of Economic Doctrines* by Gide and Rist, touched on this point in his prefatory note, saying: "Our apparent indifference to the development which theory has undergone in the course of the last fifty years is all the more difficult to explain when we recall the fact that England has always been the classic home of theory, both orthodox and socialist."<sup>3</sup> I do not share Richard's surprise, and believe that the explanation lies in the absolute character of the teachings of the classics. The literature on the history of economic ideas in England up to recently was practically confined to Ingram's short book—and Ingram was rather following in the footsteps of the German historical school. Edwin Cannan's stimulating *History of the Theories of Produc-*

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1. *A History of Political Economy*, Scott and Ely edition (London, 1915), p.230.

2. *Ground Under Our Feet* (New York, 1938), p.121.

3. English translation (London), p.vi.

*tion and Distribution*<sup>1</sup> comes closer to being a contribution to economic theory.

Complaining of the absence of a history of political economy worthy the name, Edwin R. A. Seligman remarked: "The absence of an historical school of economics in England and the glamour of a few great names which have thrown everything else into the shade explain, but do not excuse, this neglect."<sup>2</sup> This interpretation is valid as regards America: the domination of classicism among professional economists in this country has caused the present lack of interest in the change and development of doctrines. An American economist who discusses these problems is still *rara avis* in American literature. Interest — or should we rather say curiosity? — regarding American economics has been stronger abroad, on the European continent, than in the United States and England. I know of only one English attempt in this direction — and the author, T. E. Cliffe-Leslie,<sup>3</sup> was sympathetic to the German historical school. In France and Italy, where the study of ideas has always found a favorable soil, American economists have, if not a place of honor, at least some mention of the works on the history of economic thought. The well-known study by Gide and Rist, the similar one by Gonnard, Ferrara's *Biblioteca dell' Economista*, Luigi Cossa's treatise — none of these ignore the existence of American economics. It was a Frenchman who undertook the task of a general survey<sup>4</sup> — from an outspokenly French angle, it is true, finding French influence at every turn. It was an Italian who dedicated one of his essays to the history of protectionist ideas in the United States<sup>5</sup>

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1. London, 1893.

2. Introduction to W. E. Clark, *Josiah Tucker — Economist. A Study in the History of Economics* (New York, 1903), p.5.

3. "Political Economy in the United States," in *Fortnightly Review*, October 1, 1880.

4. E. Teilhac, *Histoire de la pensée économique aux Etats-Unis* (Paris, 1928). An English translation by E. A. J. Johnson appeared under the title *Pioneers of American Economic Thought in the Nineteenth Century* (New York, 1936).

5. Ugo Rabbeno, *American Commercial Policy*, English translation (London, 1895).



—but he necessarily gave a one-sided picture of the ideas of Hamilton, List, Carey, and Patten.

The Germans were active and persistent in their historical approach to the development of economic thought, and they have not left untilld this field of American history. They have been directly and indirectly instrumental in and responsible for the production of most of the surveys and monographs undertaken by Americans. Typically, the first issue of the *Jahrbücher für Nationalökonomie und Statistik*, which appeared in 1863, presented a scholarly study by Richard Hildebrand on "Benjamin Franklin als Nationalökonom." The numerous German textbooks and treatises on the history of economic ideas—early, like those of Wilhelm Roscher and Kautz, and most recent, like that by Othmar Spann—unavoidably give a sketch of American economic literature; and the head of the younger historical school, Gustav Schmoller himself, devoted several pages to Henry C. Carey and Henry George in his *Zur Literaturgeschichte der Staats- und Sozialwissenschaften*.<sup>1</sup> German professors induced their American students to choose the study of American economists as a subject for their dissertations. We find in Germany, parallel to the French work by Teilhac, an early attempt at a general survey of American thought by H. J. Furber, Jr., of which only the first three chapters have ever been published.<sup>2</sup> It was a German, Werner Sombart, who for years followed the trends of American socialist literature, and tried to penetrate the present status and appraise the future possibilities of socialism in the United States.<sup>3</sup>

German scholarship has organized and published the only three *sui generis* "censuses" of American economics; these were written by American economists in German for occasions of celebration of their former teachers and friends in Germany. Henry

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1. Leipzig, 1888.

2. *Geschichte und kritische Studien zur Entwicklung der ökonomischen Theorien in Amerika* (Halle a.S., 1891)—a weak student's thesis presenting the ideas of some statesmen and publicists of the early period.

3. See his numerous articles in the *Archiv für Sozialwissenschaft und Sozialpolitik*, as well as his *Warum gibt es in den Vereinigten Staaten keinen Sozialismus?* (Tübingen, 1906).

W. Farnam, not without some degree of national inferiority complex, discussed German-American relations in the field of economics in the "Festgaben für Schmoller."<sup>1</sup> Edwin R. A. Seligman described "Die Socialökonomie in den Vereinigten Staaten" in *Festgabe für Lujo Brentano*;<sup>2</sup> Frank A. Fetter in an interesting essay<sup>3</sup> confined himself to developments since the Civil War; his work is more a report on present theoretical controversies than a presentation of historical development. All these "censuses" consist of mere sprawling lists of names, with conventionalized data and some dubious evaluations. All three authors, despite their later economic convictions and adherences, served their apprenticeship in the German historical school, and in the history of economics in the United States are identified with the short-lived historical interlude of the eighties.

This interlude helped to originate a unique interest in the history of economic thought in this country, shown by—we may even say—the Johns Hopkins University "school". It is doubtless caused by the personal interest and inclination of Professors Richard T. Ely and J. H. Hollander that in the Johns Hopkins "Historical and Political Studies," founded in 1884, were published a series of monographs dedicated to American economists, representing—true to the German example—mostly disserta-

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1. *Die Entwicklung der deutschen Volkswirtschaftslehre im neunzehnten Jahrhundert* (Leipzig, 1908), vol.I.

2. (München und Leipzig, 1925), vol.II. Seligman has probably shown more interest in the history of American economics than anyone else in the United States, but his work in this field has the character of an antiquarian catalogue combined with personal reminiscences. See especially his "The Early Teaching of Economics in the United States," in *Economic Essays in Honor of J. B. Clark* (New York, 1927).

3. "America," in *Die Wirtschaftstheorie der Gegenwart* (Wien, 1927), vol.I. It is obvious that the leader of the psychological school of American economists was the proper person to contribute to an Austrian enterprise in economics.

4. Professor Ely's reminiscences contain an interesting report of how in the early eighties he, jointly with his students at Johns Hopkins (Woodrow Wilson and Burr J. Ramage), planned a book on the history of American economic thought, for which Wilson prepared an account of the Ricardian economists. According to Ely, who is in possession of this manuscript, "it expressed what were then somewhat new and modern ideas in this country, namely an appreciation of the evolution of thought and the relativity of economic doctrines." *Op.cit.*, pp.112,113.

tions for the degree of Ph.D.<sup>4</sup> Johns Hopkins University even produced an attempt at a general survey,<sup>1</sup> examining, unfortunately, not the evolution of thought but the development of specific theories and topics.

Having furnished this list of miscarriages, we must not omit to mention in contrast J. R. Turner's fresh and interesting study on *The Ricardian Rent Theory in Early American Economics*.<sup>2</sup> It is certainly broader than its title suggests, and makes the reader regret that Turner did not find an opportunity to continue his work in the field of the history of ideas.

The rapid decline of the historical school in the United States—its temporary and rather superficial rise was caused partly by the fact of personal contacts—resulted in the disappearance of the short-lived interest in the development of economic thought in this country, and in a continued complete disregard of it by the followers of the English classics.<sup>3</sup> When on some occasions American professional economists treated the history of their discipline, it is with an evident sense of learned superiority that they discuss this *quantité négligeable*. As a rule they used to deny the existence—or at any rate the importance—of American economic thought. Charles F. Dunbar declared in his above-mentioned essay:

"Not only has no American school of writers on political economy been established, . . . but no recognized contribution to the development of the science can be pointed out in any way comparable to those made by the French writers, or to those which the Germans are now making. . . . The general result, then, to which, as we believe, a sober examination of the case must lead any candid inquirer, is, that the United States have, so far, done nothing toward developing the theory of political economy,

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1. Sidney Sherwood, *op.cit.* The chapter on "Influence of American Economic Thought" is especially disappointing.

2. New York, 1921. Turner's book combines the genetic qualities of the historical training of his teacher, Frank A. Fetter, with an interest in and knowledge of Anglo-Saxon classic theory.

3. The history of American economic thought found a very brief presentation even in such a well-planned and carefully executed work as the *Encyclopedia of the Social Sciences*.

notwithstanding their vast and immediate interest in its practical applications."<sup>1</sup>

It is amazing that Dunbar, one of the self-made economists of that period, and the first holder of a chair of political economy at Harvard University, made his scholarly début with an absolute denial of the existence of economics in this country. The only excuse is that, as Turner showed in the above-mentioned book, in some cases, and possibly in most, Dunbar was unacquainted with the originals. Yet with almost no exception the American representatives of the classical and neo-classical schools later repeated Dunbar's opinions about American economics in the first seventy-five years of the nineteenth century. The matter was settled once and for ever.

English writers have concurred in this opinion. From Cliffe-Leslie, in the essay cited, down to Alfred Marshall we find always the same negation of any American economic thought. Marshall declared it explicitly: "Absorbed in current politics, the older American school did little to extend the boundaries of economic science."<sup>2</sup>

In the United States, J. Laurence Laughlin complained in 1885 of "the mortifying fact that political economy was practically an unknown science to the American people before 1860."<sup>3</sup> Farnam repeated faithfully in 1908 Dunbar's verdict: "...es vor dem Bürgerkriege eigentlich unmöglich war, von einer amerikanischen Volkswirtschaftslehre zu sprechen."<sup>4</sup> The same Turner who discovered so much freshness in early American thought declared in 1921 that "indeed, prior to 1880, American economics was little more than a by-product of consideration of the tariff."<sup>5</sup> As late as 1927, J. H. Hollander, in his introduction to *Economic Essays*, published in honor of J. B. Clark, recalled (not from the historical angle alone) Dunbar's and Cliffe-Leslie's

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1. *Op.cit.*

2. *Principles of Economics* (London, 1890), p.68.

3. *The Study of Political Economy* (New York, 1885), p.20.

4. *Op.cit.*

5. *Op.cit.*, p.19.



negative verdicts.<sup>1</sup> A year later the German-Swiss-Italian Professor Robert Michels, in an exceedingly superficial study, referred again to Dunbar's authority;<sup>2</sup> and an American historian of economic thought bluntly declared that "in fact, until the late years of the nineteenth century the United States did little to advance the social sciences."<sup>3</sup>

The revival and victory of neo-classicism filled Dunbar with satisfaction, and led him even to an expression of optimism regarding the future of economics in the United States,<sup>4</sup> shared from time to time by other scholars—but mostly with regard to the future. Thus, Sherwood declared that "nowhere today is the outlook more hopeful than in the United States for progressive work in the science of political economy."<sup>5</sup>

Even the official optimistic solemnity of an Universal Exposition speaker, at St. Louis in 1904, declaring that "the American people may well be proud of the achievements of their countrymen in the developing of the theory of the distribution of wealth,"<sup>6</sup> was immediately modified by another speaker, who found in American economics "more work of repair and extension, criticism and destruction than of fresh construction."<sup>7</sup>

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1. *Op.cit.*

2. "Soziale und politische Wissenschaften in Amerika," in *Zeitschrift für die Gesamten Staatswissenschaften*. (Tübingen, 1928), Bd.85, Heft 1, p.111.

3. Lewis H. Haney, *History of Economic Thought* (New York, 1923), p.285.

4. "In our country in particular, no one of the moral sciences has made a more rapid or solid gain than political economy, either in the extent and importance of its scientific investigations, or in the dignity of method and spirit which characterizes its work, or in its educational value." "The American Study of Political Economy," in *Quarterly Journal of Economics*, July, 1891. Dunbar, the first editor of the *Quarterly* (founded in 1886), proudly stated that "no 'American school' has been developed in this rapid progress; but economic study in the United States, in the institutions of learning as well as outside of them, has had a serious part in the general movement of economic thought in the world at large." *Ibid.*

5. *Op.cit.*, p.7.

6. Professor Emory R. Johnston, Chairman, in *Proceedings of the Department of Economics of the Congress of Arts and Sciences* (Universal Exposition, St. Louis, 1904), vol.III (1906), p.5.

7. Adolph Caspar Miller, "Economic Science in the Nineteenth Century," *Ibid.*

The rare expressions of optimism and approval in regard to American economics met systematically with immediate objection, counter-attack, and contempt. When an Austro-German (now American) scholar published in 1910 an attempt to investigate and to appraise the modern development of economic thought in the United States, the editor accompanied his enthusiastic phrases with a disparaging remark.<sup>1</sup> And a German scholar passing upon Schumpeter's optimism seventeen years later sadly stated: "Aber diese Prophezeiung ist doch nur zum kleinsten Teil in Erfüllung gegangen."<sup>2</sup>

I have presented this summary in order to show the general confusion of ideas and opinions regarding American economic thought. Obviously the time is not yet ripe for a definitive history; much spade work remains to be done, and we still lack monographs and special investigations preliminary to a generalized study. This volume does not attempt to perform this task. It is not and does not pretend to be an exhaustive survey, and has no antiquarian or bibliographical intentions. It is not an encyclopedia, and not a catalogue of all writings by currency, tariff, and business-cycle cranks. At the same time it is more than a gallery of scenes and portraits. I do not intend to present a purely descriptive, *chronological* enumeration of dogmas. A *critical* study is not appropriate, for no absolute correctness exists in economics. What we need is a *genetic* history which will endeavor to trace the dynamics of the development rather than to record and to appraise the accomplished facts—a study from an evolutionist rather than a systematic angle: sciences, like cathedrals, are the

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1. Joseph Schumpeter, "Die neuere Wirtschaftstheorie in den Vereinigten Staaten," in *Schmollers Jahrbuch* (1900, Heft 3). The editor speaks of the "quantitativ so beträchtliche Literatur der Amerikaner über nationalökonomische Theorie," while Schumpeter himself speaks of "eine Blütezeit theoretischen Schaffens... deren Ende vorläufig noch nicht abzusehen ist." Fetter probably made a note of this contradiction; in his survey of 1927 (above) he quoted Schumpeter's article, but mentioning the fast growth of economics in the United States, he emphasized that his statement referred "nur auf die Menge und nicht auf die Güte" (*op.cit.*, p.36).

2. Eva Flügge, "'Institutionalismus' in der Nationalökonomie der Vereinigten Staaten," in *Jahrbuch f. Nationalök. und Statistik*, vol.126 (April, 1927), p.337.

product of generations. If the occasion is not yet ripe for this type of study, at least the time has come to survey the main trends of the evolution. I realize that economic ideas, as well as events, are not clear-cut and well defined, like a landscape on a bright, frosty autumn day, but I intend to explore the spirit of American economic thought, its *Weltanschauung*. As Taine has taught us, "Un dogme n'est rien par lui-même; voyez les gens qui l'ont fait."

"The child of two continents, America can be explored in its significant traits by neither alone,"<sup>1</sup> and obviously the historian of ideas must devote himself to studying the reception of ideas propagated by one culture as they are assimilated or rejected by another, or are gradually changed under fresh skies. Keeping this in mind, I have made it my purpose to discover the features of American thought as distinct from European thought, to follow its revolts against and assimilations of importations, and to pursue the continuous conflicts between transplanted ideas and the native environment, between intuitive thought and pure intellectualism. In this way I hope to discover, in the continuous stream and change of thought, the specific "climate" of American economics, its particular spirit and direction, the "American" note. This work is an attempt to take in at one glance the entire past galaxy of thought. Needless to say, the term "Americanism" is, in my understanding, neither an expression of blame nor of praise.

For the reasons mentioned, I have limited my study to the trend of the central body of thought, its entire framework as contrasted with its multitude of special doctrines, and to the general concepts forming the foundation of systems and the milestones of their progress, in contrast to the history and analysis of specific theories. My interest has been away from detailed inquiry into the teachings of individual economists, together with the fate of their doctrines; instead it has been concentrated upon the spirit of an organically related body of general principles. I am concerned not

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1. V. L. Parrington, *op.cit.*, vol.I, p.iv.



with variations in emphasis and treatment but with variation (or uniformity) in general concepts, with the total pattern of American economic thought.

Where is the spirit of economic thought best expressed? In the scholarly investigations of professors, the pamphlets of journalists, the speeches of politicians, governmental records, court decisions, the utopian writings of dreamers, or in the behavior of the man in the street? Must we consult the body of writings which is not literature — journals, letters, public records, newspapers, and so on? Or must the economic thought of a country and of a period be pieced together from fragmentary sources?

The purpose of this volume — a study in social history — answers these questions: to enter into the spirit, the state of mind, does not necessarily mean an exhaustive study of neglected and celebrated writers, of old records, of faded documents, of the yellow pages of antiquated books or the crisp pages of new ones, as one would peel onions — layer by layer. (Sometimes I actually believe that belles lettres express the style of economic history and the thought of a nation and a period in a more vigorous, impressive, and colorful way than do heavy volumes on economics.) The aim is interpretation, and the reader need have no fear that we shall penetrate the fortress by siege. Care for accuracy in detail is certainly praiseworthy, but it does not replace the creative imagination necessary to reconstruct an evolution. I have exerted my imagination to create a picture in my own mind; to use, in the words of Taine, "les yeux de notre tête."

This introduction will not be complete unless we are agreed on the order in which our subject shall be examined. So-called historical periods, stages, and divisions are of course mental creations, intellectual constructions, which, having no existence in actual life, present artificial barriers in history. The history of ideas, as well as that of events, is seldom symmetrical, and cannot be constructed *more geometrico*. The overlapping interregna are especially annoying to the chronicler, since often an idea or a writer does not belong to his own period but to the future or the past. But if we use stages in their function of methodological tools, the reader will be justified in expecting that the suggested

periodology will not injure his architectonic feelings. From the architectonic angle, I consider the previously suggested attempts to distinguish "periods" unsatisfactory. They all lack a *principium divisionis*.<sup>1</sup>

It was Walter Bagehot who once stated that "while the economic condition of countries is bad, men care for Political Economy, which may tell us how it is to be improved; when that condition is improved, Political Economy ceases to have the same popular interest."<sup>2</sup> Without sickness, wounds, and pain there would have been no physiology, pathology, or science of medicine. Without wars and national crises there would have been no economics. This interrelation, as we know, is especially strong and outspoken in the period of capitalism.<sup>3</sup> Wars and crises influence the economy through changes in the conjuncture and structure, but not in minor degree they cause a psychological effect in preparing the state of mind for a change. Economics as well as economic life develops in cycles and is moved by earthquakes. In the United States specifically "progress has never been conservative and orderly. The great periods of rapid advance between our crises of depression have more resembled the rough-and-tumble of gigantic gold rushes."<sup>4</sup>

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1. This is the case with the almost graphical tree sketched by Furber (*op.cit.*), and with Farnam's division into two periods—the first century and since 1876 (*op.cit.*). (The latter year is associated with the Centenary of the Declaration of Independence as well as of the publication of the *Wealth of Nations*. This emphasis on 1876 can be found in R. V. Taggart's study *Thorstein Veblen. A Chapter in American Economic Thought* (Berkeley, Calif., 1932), pp.4,5. Farnam practically repeats W. G. Sumner's ideas.) It is true of Seligman's three periods: the eighteenth century and until the war with England; from the war with England to the seventies; and since the seventies (*op.cit.*) (The classification of the economists of the last period by their age is naive, but no less than Schumpeter's later classification of American schools of thought by leading universities.) It applies also to Patten's suggested division into epochs of 1776, 1848, and 1912 ("The Background of Economic Theories," in *Essays in Economic Theory* [New York, 1924], p.265).

2. *Economic Studies* (London, 1880), p.155.

3. Werner Sombart devoted a special study to the interrelation between war and capitalism, *Krieg und Kapitalismus* (München und Leipzig, 1913).

4. James Truslow Adams, *The Epic of America* (Boston, 1931), p.278.

A periodology based on business cycles would not give us clearcut epochs.<sup>1</sup> The United States presents an especially fortunate illustration of the interrelation between war and economic thought. Paul Mantoux was the first to call our attention to the fact that "it was the American war rather than Smith's writings which demonstrated the decay of the ancient political economy."<sup>2</sup> And it was Wesley C. Mitchell who emphasized the parallel between the reconstruction "after the Napoleonic Wars and the rise of classical political economy," and between "reconstruction after the World War and the prospect of renewed vitality in economics."<sup>3</sup>

The three great war crises in the United States prior to the Great Depression were those of the War with England, the Civil War, and the First World War. All of them influenced and changed the economic structure and consequently the national state of mind. (From the standpoint of our study the War with Mexico and the Spanish-American War may be considered as minor disturbances.) The War with England caused the first definite interest in economics, especially in the problems of pro-

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1. The only author who, to my knowledge, has given special attention to this interrelation is W. G. Sumner. A firm believer in absolute economic laws, he was disgusted by the fact that "some people should lose their heads and begin to doubt the economic doctrines which have been most thoroughly established. It belongs to the symptoms of disease to lose confidence in the laws of health and to have recourse to quack remedies. I have already observed that certain phenomena appear in every great social movement which are calculated to deceive by apparent inconsistency of divergence. Hence we have seen the economists, instead of holding together and sustaining, at the time when it was most needed, both the scientific authority and the positive truth of their doctrines, break up and run hither and thither, some of them running away altogether." "The Influence of Commercial Crises on Opinions about Economic Doctrines," in *The Forgotten Man and Other Essays* (New Haven, 1919), pp.224,225. It is interesting that Sumner often returned to the problem of business cycles. So in 1877 or 1878 he examined *The Commerical Crisis of 1837*; in 1879 he published the essay quoted above; in 1896 appeared *The Cause and Cure of Hard Times*. The fact is generally ignored that Francis Bowen also devoted special attention to the problem of crises.

2. *The Industrial Revolution*, English translation (New York, 1928).

3. "The Prospect of Economics," in *The Trend of Economics*, edited by R. G. Tugwell (New York, 1924).

duction, and stimulated the formation of a national state of mind; the post-Civil War period developed an interest in problems of distribution; and the First World War confronted the country with the necessity of reconsidering the fundamental principles of its economic organization. Each period had its heroes and villains, its friends and enemies, new interests and new hatreds, declines and culminating points, desertion of old doctrines and return to them. Each had its conflicts, dreams, and accomplishments. Each was subjected to foreign influences and to domestic resistances.



## II

# THE CONFLICT

THE economic history of the United States differs from that of any other country in that it began with the transplantation of a civilized people to a vast territory possessing extraordinary resources. No mysterious metamorphosis transformed Englishmen by contact with the Plymouth Rock into Americans. The intellectual history of America began before the country was discovered. The Indian heritage did not affect the United States, and left no romantic economic recollections, as it did in the case of Latin America, where the Incas and Mayas possessed a fairly well-rounded system of economy and economic ideas.<sup>1</sup> Economics in the United States never knew a period of complete isolation, "To understand certain phases of life in America, whether on Fifth Avenue in New York or on the Lake Shore Drive in Chicago, one must go back to the mists and half-lights of the days of King Edward III in England."<sup>2</sup>

Because the colonization of America was the transplantation of a civilized people, Americans vividly debated the plans and specifications of the utopia that was to be erected in the free spaces of the new continent. The foundation of the later United States was laid in vigorous polemics based on important ideas, and dyed by the geography, physical aspects, and environment of the New World, as well as by its lack of a history and traditions of its own.

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1. Charles Sotheran made an unsuccessful attempt to describe the American aborigines as "identical" in some respects "with modern socialists," in order to show the native origin of American socialism. See *Horace Greeley and Other Pioneers of American Socialism* (New York, 1892), pp.58-60.

2. Thomas Cuming Hall, *The Religious Background of American Culture* (Boston, 1930), pp.viii,ix.

The distinction between the mother country and the United States was obviously strong. Down to the Civil War, for instance, natural resources were scarce in England and abundant in America; England was short in land and the United States was long; labor was abundant in the former but scarce in the latter; overpopulation in the Old World was contrasted with underpopulation in the New; England was always searching for new foreign markets, while the United States possessed a broad domestic market, unsaturated for decades.

Of specific importance for the development of economic thought was the formation of a new psychology, different from that of Europe, being one of "strangers" not burdened by tradition and always ready for experimentation. The economic ideas of the transplanted civilization obviously clashed with the psychology and realities of the New World. England's economic pessimism came into conflict with the optimism of the United States, which was caused in the first half of the nineteenth century by the new psychology created by the wide spaces and abundant resources, and was stimulated after the Civil War by the change of scale in popular conceptions. The imported classicism was like an English formal garden with its straight walks and clipped hedges; the native thought represented the American fields and forests with their broad acres and tangled wilderness. The history of American economic thought is for a long period the study of a conflict and attempts at readjustment between imported ideas and native realities. In this conflict the positions and actors changed with nearly every generation. The tables were turned and the situations reversed; the coloring of doctrines varied; the theories were modified and liaisons were created—but the conflict itself remained alive.

The whole fabric of American economic life was constantly changing, and its centers of gravity were shifting. The constantly expanding frontier, growing industrialism, and new technique pushed to the fore new sections, new classes, new products; the changing social life created new types; the changing economic life produced new problems. Consequently a perpetual change of current economic problems occupied the American mind. In all the

stages of the country's development—agrarian, commercial, industrial, and financial—economic problems formed the battleground of conflicting desires, policies, and viewpoints, with the warfare both offensive and defensive. Each decade of the country's history brought forth new and old economic questions to be readjusted and fitted into the rapidly changing scheme; the discussion of these problems was obviously complicated and heightened by political, religious, and racial motives and factors.

There were additional influences from the Old World, since all the European countries besides England sent to this country not only their sons but also their ideas. Frenchmen, Germans, Austrians, Italians were, and are, of importance in the development of American economic thought, no less than in the mixture of imported cultures and local environments which have formed the American melting-pot.

Thus the history of economic thought in the United States presents a picture of a rolling sea of changing and contradictory theories and problems, formed under the reciprocal influences of imported Old World teachings and institutions, the silent pressure of a new environment, the new growths that sprang up in the land, the noises of the streets, and the strokes of the scourges of agitating publicists.

But is there not some order, some predominant tendency, some underlying principle, in this "rolling sea"?

Paul T. Homan complained of the "absence of perspective" and "the failure to find any scheme of classification by which a large number of economists could be domesticated to orderly treatment."<sup>1</sup> I shall certainly not try to tuck away economists in ready-made pigeonholes, and to distort men and movements to fit a preconceived classification. But despite the variations of thought, of period, of method, of interest, and of origin, one can, I believe, find a crimson thread running through the tangled skein of change in economic thought. This thread consists in a fundamental conflict between the idea of *conservation* and the idea of *trans-*

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1. *Contemporary Economic Thought* (New York, 1928), Preface.



*formation*, that of the *beati possidentes* and of the *discontented*.<sup>1</sup>

The idea of conservation can best be expressed by the famous statement of Lord Thurlow: "I support the Church of England — because it is established." It signifies tradition, inertia, resistance to change; it finds its source in the natural teachings of the English classics with their individualistic laissez-faire policies.

We need not understand the word "transformation" to mean a radical one: the propaganda of industrialization, for instance, in an agrarian atmosphere is an idea of transformation no less than the teachings of a Populist movement in a dominantly industrial one. The American looks always at the future, not at the past or the present.<sup>2</sup> Like Voltaire's Signor Pococurante, he always expects "to have a new garden tomorrow, built on a nobler plan." Carl R. Fish emphasized that the American "was not afraid of the new," and that he "became an inventor not through scientific research or from peculiar mental gifts, but because of a developed spiritual impulse to try new things, and to rebound and try again if they proved unsuccessful."<sup>3</sup> The idea of transformation has always tended to emphasize the interests of the nation or the collective, and to replace the laissez-faire of the *possidentes* with state interventionism, so peculiarly fitted to the American love of experimentation through legislation and administration. For this reason the United States has always been the happy hunting-ground of utopian attempts and writings. For this reason pragmatism has succeeded here, as it considers the world as always in the making, and not bound to develop according to preconceived ideas. The idea of transformation obviously found its support in

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1. This formula of conflict has nothing whatever to do with the division of economic theories into philosophies of wealth and philosophies of poverty. John Adams emphasized in 1808 that the object of both political parties was "chiefly wealth." "Chiefly wealth" has certainly been the object of most of the economic teachings in this country.

2. Jacob H. Hollander wrongly counters this quest for transformation as explanation of the "essential conservation of popular economic thought" in the United States. Comp. *Economic Liberalism* (New York, 1925), pp.174-175.

3. *The Side of the Common Man* (New York, 1927), p.5.

the evolutionist teachings of the nineteenth century, but its theories were shaped by the economic life and interests of the nation, while the adherents of the idea of conservation merely put in concrete form and systematized the prevalent notions of their time, which represented the interests favoring the *status quo*. Macaulay once declared that in every country there was a party of order and a party of progress; the former, conservative in temper, clings to established things, while the latter, adventurous in spirit, is eager to make experiments.

The conflict between the principles of conservation and those of transformation is the germinal idea of the economic thought typical of this economically highly dynamic country. The theoretical change took place through this opposition, and the development proceeded in the series of conflicts. And ideas often fight harder than men.

In the following chapters we shall see how the followers of both principles, in each period, expressed their beliefs and strivings.

### III

## HOMESPUN AMERICA

MODERN economics originated with the rise of individualism, the formation of national territories and states, and the victory of capitalism over the leftovers of the Middle Ages. The chronological coincidence of the Declaration of Independence and the publication of the *Wealth of Nations* is truly symbolic.

It is quite possible to disclose and follow up fragmentary economic ideas during the colonial period of United States history. Edgar A. J. Johnson recently undertook the attempt to trace in America the last outpost of English medieval thought,<sup>1</sup> but it is only in an antiquarian sense that there were "poets before Homer, and kings before Agamemnon." Even as regards the figure probably most typical of that period, the wholly English John Winthrop, Johnson is certainly correct in asserting that "there is indeed little that is original in Winthrop's economic thought. . . . Winthrop reflected the current beliefs of his age reasonably well; . . . this is as much as to say Winthrop's ideas were mediaeval, transmitted to him chiefly through English ecclesiastical sources. . . . It is a fair example of the economic ideas of the American Puritans. Wealth and wealth-getting were not despised. The Puritan was not truly ascetic. Nor did he idealize wealth-getting as it is the fashion to believe today. He attempted to impose the social philosophy of the mediaeval schoolmen on a pioneer community where the temptation to a life of material acquisition was limited only by the opportunity."<sup>2</sup>

The German Professor Kellner emphasized the receptive character of American literature, as follows:

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1. *American Economic Thought in the Seventeenth Century* (London, 1932).

2. "Economic Ideas of John Winthrop," in *New England Quarterly*, 1930.

"Bis zum Abfall der Kolonien vom Mutterlande sind alle literarischen Erzeugnisse Amerikas einfach Schösslinge des englischen Stammes wie die Siedlungen selbst. So wie die Kolonisten englisches Tuch tragen, aus englischem Geschirr essen, mit englischen Ziegeln ihre Häuser bauen, so schreiben ihre Gottesgelehrten, ihre Staatsmänner, ihre Dichter in der Sprache der Heimat, in den Formen und Rhythmen, in den Ueberlieferungen und stillschweigenden Vereinbarungen der alten Literatur. Jeder Schriftsteller sieht darauf, den englischen Mustern so nahe als möglich zu kommen, ja nicht gegen die Reinheit der Sprache zu verstossen, vor allem sich keinen Amerikanismus entschlüpfen zu lassen."<sup>1</sup>

It was not different in the field of economic thought. The American mind was certainly awaking before the War of Independence, but even the native-born American Tory aped the English ways of thinking.

The single and solitary figure of importance in the colonial history of American economic thought was, of course, Benjamin Franklin. He is the child and product of the transitional period, since his life and work belong partly to the history of the independent United States. There were few American economists who aroused diametrically opposed opinions but who were so often discussed and examined. Knowing Dunbar's attitude to everything American in economics, we are not surprised to learn his highly negative verdict. He declared that "of Franklin... it must be said that he not only did not advance the growth of economic science, but that he seems not even to have mastered it as it was already developed."<sup>2</sup>

A modern historian of economic thought graciously admits in a footnote that "Benjamin Franklin might be called the first

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1. *Geschichte der nordamerikanischen Literatur* (Berlin und Leipzig, 1913), p.10.

2. *Op.cit.*, p.7. "That Franklin read much of the writings of others on questions of political economy is not to be inferred from his works. Smith's *Wealth of Nations* is cited in a paper on the increase of wages in Europe likely to be caused by the American Revolution, written shortly after 1789, when Franklin was abroad; but the citation is made to settle a fact, and not to further the discussion or elucidation of a principle." *Ibid.*



American economist,"<sup>1</sup> but authors of monographs dedicated to Franklin wax enthusiastic about his qualities and achievements as an economist. W. A. Wetzel, for instance, flatly rejected Dunbar's verdict. He denied that Franklin "did not master the science as it was already developed. We must remember here the fragmentary condition of English economics before 1776. The claim has already been made that Franklin was familiar with Petty's *Essay on Taxes and Contributions*. Of course there is no means of finding out how much he had read of the other early English economists. But the fact that his opinion on all economic matters (or rather politico-economic, for that is the only kind of economics that the seventeenth and eighteenth centuries knew) was sought by all the philosophers of his day is enough to prove that Franklin understood the eighteenth-century economics fairly well. The only system of economics of which we can speak during this period is the physiocratic system. What English-speaking man, we ask, understood this system better than Franklin?"<sup>2</sup>

Lewis J. Carey, the author of a more recent monograph on *Franklin's Economic Views*,<sup>3</sup> modernized Franklin's construction of his economic "system," and went so far as to trace his personal and literary influence on Adam Smith, Malthus, and even Karl Marx. The historian James Truslow Adams decided that Franklin typified the American culture of that period,<sup>4</sup> and the opinion of a historian of literature, V. L. Parrington, is that Franklin "was what we should call today a sociologist."<sup>5</sup> An early German scholar meticulously investigated, analyzed, and systematized Franklin's opinions, presenting him as an almost full-fledged Smithian.<sup>6</sup> The head of the German sociological school in economics, Max Weber, tried to present Franklin as an incarnation of the spirit of New England thrift and worldly wisdom, and found in his *Hints for Those that Would Be Rich* (1736) and

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1. Lewis H. Haney, *op.cit.*, p.282.

2. *Benjamin Franklin as an Economist* (Baltimore, 1895), pp.54,55.

3. Garden City, 1928.

4. *The Epic of America*, p.69.

5. *Op.cit.*, vol.I, p.170.

6. Richard Hildebrand, "Benjamin Franklin als Nationalökonom," *op.cit.*

*Advice to a Young Tradesman* (1748) expressions of utilitarian ethics. The case of Franklin served Weber as an illustration of the liaison between Protestantism and the capitalist spirit.<sup>1</sup>

As John Winthrop was typical of the seventeenth century, Franklin represented the eighteenth. Franklin typified not "the American culture of that period," as James T. Adams suggests, but the period as such and the European ideas in his general philosophy, and America and its peculiar features in his economic ideas. T. C. Hall correctly stated that "Benjamin Franklin incarnates not the spirit of the old and aristocratic Boston ruling class—for that one must look to John Adams—but is the incarnation of the class that in England produced DeFoe and Cobbett....neither John Adams nor Benjamin Franklin had anything whatever in common with John Calvin."<sup>2</sup>

His philosophy was certainly simple, and he was a "philosopher" in the eighteenth-century meaning of the word when natural philosophy was conquering France: Franklin's interest in physical science was surely considered at that time as a contribution to philosophy.<sup>3</sup> His humanitarian liberal attitude, and especially his contempt for slavery, strengthened his foremost position as a thinker in the Old World, as well as in the New.

Benjamin Franklin absorbed ideas like a sponge, but they were remodeled in his mind under the influence of his own observations. He was never a dreamer or a theorizer, but always remained practical in dealing with the broad range of problems which appealed to his interest and imagination. Balzac once characterized Franklin as the man who invented the lightning rod, the hoax, and the Republic. Franklin typified the period of Enlightenment, and the America of his time, and was probably

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1. *Gesammelte Aufsätze zur Religionssoziologie* (Tübingen, 1920), vol.I.

2. *Op.cit.*, p.214.

3. H. W. Schneider described in the following terms the recent American attitude toward Franklin: "Philosophers are offended by the simplicity, almost simpleness, of this philosophy. Surely there can be nothing in a doctrine which a Pennsylvania farmer could understand." "The Significance of Benjamin Franklin's Moral Philosophy," in *Studies in the History of Ideas*, vol.II (New York, 1925), p.302.

the first representative of the country as such and not of one of its sections.

To look for parallelisms suggests a comparison with Goethe — not Goethe the great poet, but Goethe the man of the eighteenth century — with the universal interests of probably the greatest encyclopedist of his time. But if Goethe is too great a figure to be compared with Franklin, the Russian self-made scholar of the eighteenth century, Lomonosov, makes a worthy counterpart — of course *mutatis mutandis*: a different soil, a different political atmosphere, but the same eagerness of a commoner for knowledge, the same encyclopedism of interests, the same combination of natural philosophy with practical invention. Writer and poet, Lomonosov was deeply interested and successful in his experiments in physics and chemistry, was instrumental in the reform of the language, compiled the first grammar, and devoted his time to historical studies.

While European in his general philosophy, Franklin was American in his economic views, and simply adopted those parts of French philosophy which were fitted to the conditions of his country. His general economic ideas were of the laissez-faire type in the sense in which they were held by his French physiocrat friends, but he was a pioneer of American economic thought, bringing optimism into the discussion of population and the wages problem, and basing his opinions on the peculiar features of the American economy of vast spaces. He was one of the first propagandists of the quest for cheap money. Franklin's pamphlet on "Currency" (1729), published when he was twenty-three years old and influenced by his Massachusetts experiences, contained certain mercantilist notions about money and the balance of trade. But even this pamphlet marked Franklin's early alignment with the agrarian party, to which he adhered to the end of his life. It was a period of the end of mercantilism and the beginning of physiocracy. Franklin's hostility to English mercantilism found its source in actual American life. He found an ally in the French physiocrats, with whom he was in personal contact following his first trip to France in 1767. He became acquainted with Mirabeau, Quesnay, Du Pont de Nemours, Turgot, and many *dei minores*.



He subscribed, read, and contributed to the physiocratic *Ephémérides du Citoyen*. His *Positions to be Examined Concerning National Wealth* (1769) shows plainly the influence of the French physiocrats: he considered agriculture "the only *honest* way, wherein man received a real increase of the seed thrown into the ground, in a kind of a continual miracle, wrought by the hand of God in his favor."<sup>1</sup>

Franklin's famous pamphlet on population<sup>2</sup> influenced deeply later writers — including Adam Smith, Godwin, and Malthus — who referred to his statement that the population of the United States was being doubled every twenty-five years. His optimistic theory of population based on an abundance of cheap land led logically to his assertion of the economy of high wages, which he considered natural and efficient under American conditions.

Although the author of numerous pamphlets on economic problems, Franklin was more than a pamphleteer. His biographers have argued violently about the sources of his borrowings and the influences he felt. This discussion is irrelevant for our purpose, but it is a fact that Franklin's writings on economics were the first case of the exporting of American thought to Europe.<sup>3</sup>

"Benjamin Franklin did not live to see the effects of his anthracite stove, but he made the capitalist development of Pennsylvania possible. He was quite right in feeling more at home among the Pennsylvania Quakers than among the high-born of Boston, for he belonged with the dissenting butchers and bakers and candlestick-makers, from whom, however, the Boston aristocracy was also in large part descended. It is also perfectly true that he scented from afar the coming commercial supremacy of the class to which he by inheritance, taste, and education belonged; but this class had nothing whatsoever in common with

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1. *Works*, vol.II, p.438.

2. *Observations Concerning the Increase of Mankind* (1751).

3. Usher asserts that Franklin seems to have been the first to introduce the expression "laissez faire" to English readers in his *Principles of Trade* (1774). See "Explorations in Economics," in *Notes and Essays Contributed in Honor of F. W. Taussig* (New York, 1936), p.404.

the aristocratic little Puritan clerical minority that so vainly dreamed in 1628 of making an aristocratic theocracy on the shores of New England, and that had long since been quite swallowed up in the great tide of dissenting immigration."<sup>1</sup> The well-balanced and personally rather conservative author of *Poor Richard's Almanac* was discontented with the *status quo*, and was longing for the transformation of the dominating economic system.

Franklin himself emphasized the element of discontent and the transformational tendency in his teachings. His first pamphlet, Franklin afterward remarked, "was well received by the common people in general; but the rich men disliked it, for it increased and strengthened the clamor for more money; and, they happening to have no writers among them that were able to answer it, their opposition slackened, and the point was carried by a majority in the House."<sup>2</sup>

When at the end of the eighteenth century the United States relaxed its political tentacles, economically the country was still in a state of colonial dependence. Intellectually, even after independence was won the colonial instinct was still dominant, and it was only after the War of 1812 that America turned her gaze inward upon herself. The American mind was awakening, but was still depending on the mother country and admiring France; it fluctuated between adherence to the middle-class ideas of growing English capitalism and the humanitarian generalizations of French intellectuals. The year of Washington's inauguration saw the fall of the Bastille and the beginning of the French Revolution. Napoleon was to come on the heels of the Revolution, and Europe was to be deeply involved in war and conflicts for a generation.

The Constitution of the United States was one of the most important presentations of American economic thought. It was the sobering effect of Charles A. Beard's *Economic Interpretation of the Constitution of the United States*<sup>3</sup> that dispelled the myths

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1. Hall, *op.cit.*, p.215.

2. *Works*, vol.II, p.254.

3. New York, 1913.

concerning the Constitution and disclosed its economic doctrines. In the words of Parrington, "The document was revealed as English rather than French; the judicious expression of substantial eighteenth-century realism that accepted the property basis of political action, was skeptical of romantic idealisms, and was more careful to protect title-deeds to legal holdings than to claim unsurveyed principalities in Utopia."<sup>1</sup>

The ideas underlying the Constitution were inspired politically by the Republican literature of the seventeenth century, and economically by the ideology of the rising English middle class of the eighteenth century. In reality the Constitution re-established the old British system of economics.

Certainly the thought underlying the theory has seldom been better expressed than by James Madison, the "Father of the Constitution," in No. 10 of the *Federalist Papers*, which were written in 1787 and 1788 to win popular support for the Constitution, then pending before the ratifying conventions of the several states. After pointing out that mankind has constantly been influenced and divided by differences over religion and government or by attachment to outstanding leaders, Madison added: "But the most common and durable sources of fictions has been the various and unequal distribution of property. Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors and those who are debtors, fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests grow up of necessity in civilized nations, and divide them into different classes, actuated by different sentiments and views."<sup>2</sup> John Adams, Noah Webster, and Alexander Hamilton confirmed this conception of the economic foundations of the government.

If the economic background of the Constitution was represented by the property interests who wished to preserve their

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1. *Op.cit.*, vol.III, p.409.

2. Schlesinger, *New Viewpoints in American History* (New York, 1922), p.48.

status quo, the preamble to the Tariff Act brought to the fore the necessity "for the encouragement and protection of manufactures that duties be laid on goods, wares, and merchandise, imported." We find here the clearly expressed idea of necessary transformation by way of "encouragement and protection of manufactures," a concept which became the salient point of American economic thought until the Civil War.<sup>1</sup>

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1. Calvin Colton was one of the first to emphasize this moment: "It is enough for our purpose here, to abridge this great chapter of American history, and point only to that of the North American colonies, till it ended in the establishment of American independence. The whole of that history was a struggle for freedom, without gaining it; for it will be found, that the commercial troubles of the confederated states, till the adoption of the constitution in 1789, were greater than they had ever been, and that the independence acquired was merely nominal — all and solely for want of a protective system, which, under such a rope of sand as the articles of confederation, could not be put in force. The evils of this specific character — there were no other — were seen, felt and deplored; the states, in their isolate positions tried to protect themselves, and only made the matter worse, aggravated the difficulties, by interferences till at last, the states being on the verge of dissolution as an independent nation, on account of this great defect, the federal constitution was adopted as a remedy. The history of those times shows that the grand object, the impelling necessity of the formation of the federal government, in 1789, was to obtain a power for the protection of the commercial rights of the nation and of the people; and in accordance with this design, the earliest action of the new government, was on the question of forming and establishing a protective system. The bill, or act, which was the great object of the federal constitution, on motion of Mr. Madison, the father of that instrument, was brought forward, with the least possible delay, under the following preamble: "Whereas it is necessary for the support of government for the discharge of the debts of the United States, for *the encouragement and PROTECTION of manufacturers*, that duties be laid on goods, wares, and merchandise, *imported* — be it enacted," etc.; and after having been passed, was signed by President Washington, the Fourth of July, 1789 — a signal coincidence, as being the birthday of American freedom, not an accident manifestly, but expressly designed, no doubt, as a profound and historical expression of the president's and of the public sense of the affinity and identical purpose of these two great events, and that the first could not be complete, nor consummated, without the second. The same necessity which begat the revolution, was the parent of the federal constitution, and of this law — this law, or its policy, established and secured, being the end of all." *Public Economy for the United States* (New York, 1856), pp.134,135.



George Washington was the first farmer and the first soldier in America. It is hardly conceivable that he possessed any rounded economic philosophy. His strength lay in application, not in theorizing. As we know, "Washington accepted the Presidency with great reluctance. It had been his hope and wish to spend the remainder of his days at Mount Vernon—not as a simple Virginia gentleman, for Washington was more than that, but as a scientific farmer, improving American husbandry by experiment and example. Washington studied the best works on the subject, corresponded with English experts such as Arthur Young, imported improved implements, and applied new methods. Tobacco culture, which had exhausted the soil of Tidewater, Virginia, was relinquished at Mount Vernon as early as 1765; wheat, flax, and root crops were substituted for corn, pasturage was increased, a five-year rotation of crops adopted and sheep folded on turnips or clover."<sup>1</sup>

"No detail was too small for his attention, no slave too humble to attract his interest, no blight too devastating to command his patience. Even on his campaigns, and in the Presidency, he would write sixteen-page letters of instruction to his overseers; and one suspects that, like Sir Robert Walpole, he read their reports before he turned to the affairs of state. 'The more I am acquainted with agriculture affairs, the better I am pleased with them,' he wrote to Arthur Young in 1788. How much more delightful... is the task of making improvements in the earth than all the vain glory which can be acquired from ravaging it by the most uninterrupted career of conquest."<sup>2</sup>

Washington selected as his Secretary of State Thomas Jefferson, and as his Secretary of the Treasury Alexander Hamilton. The choice of these two contrasting figures is the best evidence that the *pater patriae* did not possess an economic philosophy of his own. Nevertheless, he was not without an understanding of the peculiar features of this country, and expressed them clearly in another letter to Arthur Young. "The air of the farmers in

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1. Samuel E. Morison and Henry S. Commager, *The Growth of the American Republic*, vol. I (New York, 1937), p. 211.

2. *Ibid.*, pp. 212, 213.

this country (if they can be called farmers)," he wrote, "is, not to make the most they can from the land, which is or has been cheap, but the most of the labour, which is dear; the consequence of which has been, much ground has been *scratched* over and none cultivated or improved as it ought to have been, whereas a farmer in England, where land is dear, and labour cheap, finds it his interest to improve and cultivate highly, that he may reap large crops from a small quantity of ground."<sup>1</sup>

The economic ideas of the Constitution became the point of departure for the struggle between the principles of conservation and transformation in the early period of this country's independence. This struggle was headed, led, and symbolized by the two great opponents, Hamilton and Jefferson. The first Secretary of the Treasury contributed the strengthening elements, the first Secretary of State the weakening elements to the fundamental principles of the Constitution. The conflict was partly sectional. Hamilton represented the North, with its polyculture, its merchants as such, but even more its business economy and rising manufactures; Jefferson stood for the mono-productive agrarian South, with its plantation economy. Hamilton was less hampered by localisms than were native-born Americans. He was inspired by the English Industrial Revolution more than by English ideas; Jefferson was moved by the French ideas of social equalitarianism. Hamilton's realism and materialism contrasted with Jefferson's romanticism. Hamilton's Smithianism, colored by mercantilist reminiscences and inclinations, was strongly opposed by Jefferson's physiocratic tendencies; and Jefferson's economic liberalism and sectionalism, of course, protested against Hamilton's principles of centralization. Jefferson's democracy was fighting Hamilton's outbursts against "the majesty of multitude." Both of them were influenced by their frontier environments: Hamilton by the sea-coast, Jefferson by the South. Hamilton's sympathies were always aristocratic, with a reverence for tradition; Jefferson sympathized with the common man. Hamilton's imperial outlook of a nation was strange to Jefferson, who thought in terms of the state and a

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1. Washington to Arthur Young, December 5, 1791, in *Letters from George Washington to Arthur Young and Sir John Sinclair* (Alexandria, Va., 1803).



federation of sovereign states. The Civil War brought to a climax and solved this conflict, which had been constantly increasing in intensity for seventy years.

Hamilton found a good press in the writings of American economists. Charles F. Dunbar could not find enough praise for Hamilton's achievement as an economist. "We find," he writes, "no one well versed in economic theory and entering upon speculative inquiries of real value until we come to Alexander Hamilton. That great man, whose remarkable career was finished at the point when most men are just ready for action, was a reader and inquirer in political economy in his twentieth year. In his twenty-fifth year, in such leisure as the camp of the Revolution afforded, he matured a scheme for a Bank of the United States, and became a correspondent of Morris on that subject. And, finally, at the age of thirty-four, he produced, as Secretary of the Treasury, his great reports on the Public Credit, on a National Bank, and on Manufactures, the most powerful and comprehensive discussion of the national finances ever made under our government, and the subject, it may be remembered, of one of Mr. Webster's noblest periods."<sup>1</sup>

Henry Cabot Lodge joined this verdict in even higher terms. He declared that "Hamilton ranks as one of the great thinkers in the days when political economy and the huge mechanism of modern finance came into being. He stands conspicuous in that all-important period, and in that broad field of thought, side by side with such men as Turgot, Pitt and Adam Smith, and he does not suffer by comparison with these contemporaries either in force and originality of ideas, or in practical success. He studied Adam Smith and then wrote the Report on Manufactures, developing the theory as to the protection of nascent industries in its application to the United States, and standing firmly on the doctrine that this was a question which each nation must decide for itself."<sup>2</sup>

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1. *Op.cit.*, p.7.

2. Henry Cabot Lodge, editor, *The Works of Alexander Hamilton*, vol.I (New York and London, 1885), Preface, p.vii.

The three points of Hamilton's "system" were manufactures, public credit, and the United States Bank. Even a superficial examination shows that if Hamilton's ideas were mostly Smithian (but sometimes he shares mercantilist notions regarding balance of trade, precious metals, etc.; compare his discussion of the West Indian Islands) his policy was that of mercantilism.

Hamilton's first task was to establish the credit of the new states; he anticipated Carl Dietzel's dictum, "The life of a state begins with its public credit." He considered it necessary to pay off the federal foreign and the domestic depreciated debts at par. He insisted on assuming the state debts. His report on the public credit of January 14, 1790, is one of the significant documents in the history of American finance. He considered that the key to the problem of the United States lay in public finance, and that the key to a strong system of finance lay in a great national bank. "This, Hamilton's dearest project, was inspired by the example of the Bank of England. No other institution would so surely link the great merchants to government, he pointed out, for by being made partners in the undertaking they would share both the responsibility and the profits."<sup>1</sup>

Hamilton's arguments in favor of the protection of nascent industries sound strong even today. His Report on the Manufactures was made in the House of Representatives on December 5, 1791, as the House had, ever since the 15th of January, 1790, requested his attention "to the subject of manufactures, and particularly to the means of promoting such as will tend to render the United States independent of foreign nations for military and other essential supplies." Hamilton recommended protection as a defense against England's free trade. In his report he does not neglect fiscal motives, but he especially calls attention to the damage inflicted upon the American manufactures fostered during the Revolutionary War by the deluge of foreign goods on the resumption of peace; he therefore urges the desirability of an economic policy designed to free the new republic from dependence on foreign powers for its essential supplies. Hamilton de-

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1. Parrington, *op.cit.*, vol.I, p.303.

scribes and discusses "the principal circumstances from which it may be inferred that manufacturing establishments not only occasion a positive augmentation of the produce and revenue of the society, but that they contribute essentially to rendering them grater than they could possibly be without such establishments. These circumstances are:

- "1. The division of labor.
- "2. An extension of the use of machinery.
- "3. Additional employment to classes of the community not ordinarily engaged in the business.
- "4. The promoting of emigration from foreign countries.
- "5. The furnishing great scope for the diversity of talents and dispositions, which discriminate men from each other.
- "6. The affording a more ample and various field for enterprise.
- "7. The creating, in some instances, a new, and securing in all, a more certain and steady demand for the surplus produce of the soil.

"Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community; together, they add to it a degree of energy and effect which is not easily conceived."<sup>1</sup>

Hamilton emphasized the seventh "circumstance" in the following terms:

"This is among the most important of the circumstances which have been indicated. It is a principal means by which the establishment of manufactures contributes to an augmentation of the produce or revenue of a country, and has an immediate and direct relation to the prosperity of agriculture."<sup>2</sup>

He was satisfied that "ideas of a contrariety of interests between the Northern and Southern regions of the Union are, in the main, as unfounded as they are mischievous. The diversity

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1. *Works*, vol.IV, p.87.

2. *Ibid.*, p.95.

of circumstances, on which contrariety is usually predicated, authorizes a directly contrary conclusion. Mutual wants constitute one of the strongest links of political connection; and the extent of these bears a natural proportion to the diversity in the means of mutual supply."<sup>1</sup>

Hamilton emphasized the national standpoint: independence and security formed his primary objective, and he was convinced that the interests of the nation were identical with those of the manufacturers.<sup>2</sup> He was well versed in the literature of his period, and was obviously influenced by Hume's political philosophy and by Hobbes's *Leviathan*. Adam Smith seems to be the source of the wisdom of many of his state papers. He certainly borrowed from him the concept of the division of labor, and repeated it in detail. But the English experience and conditions in America affected him more strongly than theories. He felt the beginning industrialization of America, and was fascinated by the possibility of transferring English technical progress into the New World.

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1. *Ibid.*, p.139.

2. In a recent study, Harold Hutcheson has endeavored to present Tench Coxe as Hamilton's assistant at the preparation of the Report of the Manufactures. It is true that Tench Coxe was an advocate of a national economy and an exponent of American cotton culture and manufacture, but he rather endeavored to be than was "an economic adviser to important political figures of his day," as Hutcheson asserts. (See *Tench Coxe. A Study in American Economic Development* [Baltimore, 1938]. Preface, p.vii.) Unfortunately circumstances have not allowed Hutcheson to gain access to the main body of Coxe's manuscripts, and his appraisal is based more on "probable" than on actual facts. I do not agree, either, with Hutcheson's explanation of why Tench Coxe has remained neglected as an economist: "That Tench Coxe has not received due recognition as a forerunner of the American Nationalist School is to be accounted for, certainly in part, by his political entanglements. A desire to retrieve his personal finances, it seems, led him to take an active interest in politics. Querulous in disposition and possessed of a record for inconsistency in political allegiance, Coxe enjoyed little success as a politician." (*Ibid.*, p.201). He was inconsistent in his economic ideas as in his political allegiances. One can find the national consciousness, optimism, and interest in manufactures in Coxe's writings, but his interventionist ideas were mild, and he was neither a free trader nor an outspoken protectionist. And even Hutcheson is not in a position to discover originality in Coxe's main ideas (*Ibid.*, p.193).



To present the system of finance established under Hamilton's administration of the Treasury "as a slavish imitation of the English system or as an astonishing piece of original invention"<sup>1</sup> is wrong. Hamilton adjusted the English system to American conditions, with the objective of creating an independent and financially strong United States.

Hamilton represented the Yankee, the product of the New World inspired by the English middle-class ideas. This Yankee replaced the Puritan of the colonial period, who was the product of the Old World in the geographic setting of the New.

In many respects Hamilton may be considered a forerunner of the future American national school, a father of the "American System." In a letter to Rufus King in 1796 he clearly stated: "We are laboring hard to establish in this country principles more and more national and free from all foreign ingredients, so that we may be neither 'Greeks nor Trojans' but truly Americans."<sup>2</sup>

Jefferson was different. He did not possess Hamilton's clear, conscious, planful, and energetic practicality. He was rather a type of encyclopedist of the eighteenth century: philosopher, lawyer, scholar, scientist, architect, man of letters, statesman. As a type he was nearer to Franklin, and considered himself as Franklin's successor.<sup>3</sup> If Washington loved details, Jefferson's strength lay in broad designs. His eighteenth-century "philosophical" nature objected to Hamiltonian practicality.

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1. Charles F. Dunbar, "Some Precedents Followed by Alexander Hamilton," in *Economic Essays*, p.71.

2. "One of the greatest of Americans, he was the least American of his contemporaries: a statesman rather of the type of Colbert, whose innate love of order and system was strengthened by the lack of those qualities among his slack, turbulent, and suspicious fellow citizens." (Morison and Commager, *op.cit.*, vol.I, p.218.) This generalization can hardly be sustained.

3. The following well-known conversation is characteristic:

"You replace Doctor Franklin, I hear," said Vergennes, the French Minister of Foreign Affairs.

"I succeed him," Jefferson replied; "nobody could replace him."

Morison and Commager emphasize this moment: "Science, literature, and the fine arts attracted Jefferson as much as they had Franklin; and he was easily the first American architect of his generation." *Ibid.*, p.225.



The America of Jefferson was a simple world, still partly in the stage of domestic economy. He represented the Southern plantation and frontier farmer interests, where class distinctions had not yet arisen. It was the time when Ohio, Kentucky, and Tennessee — the first states of the West — were admitted to the Union.

Fascinated by inventions like Franklin's, Jefferson's heart was with rural life and the farmer's lot. Himself a practical farmer, like Washington and Monroe, and owner of considerable agricultural land, he was influenced by the culture of the South, the individualism of the first frontier, and the ideas of the French Revolution, which at that time were running swiftly through America. The French admiration of the "savage" so popular in the eighteenth century was not strange to Jefferson, who was interested in the American Indians and their economic (especially land) organization.<sup>1</sup>

In the *Notes on Virginia* there is a well-known passage that amplifies Jefferson's thesis that a sound American economy is an agrarian economy:

"The political economists of Europe have established it as a principle, that every state should endeavor to manufacture for itself; and this principle, like many others, we transfer to America. . . . But we have an immensity of land courting the industry of the husbandman. Is it best then that all our citizens should be employed in its improvement, or that one half should be called off from that to exercise manufactures and handicraft arts for the others? Those who labor in the earth are the chosen people, whose breasts he has made his peculiar deposit for substantial and genuine virtue. It is the focus in which he keeps alive that sacred fire, which otherwise might escape from the face of the earth. Corruption of morals in the mass of cultivators is a phenomenon of which no age nor nation has furnished an example. It is the mark set on those, who not looking up to heaven, to their own soil and industry, as does the husbandman, for their subsistence, depend for it on casualties and caprice of customers.

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1. See Sotheran, *op.cit.*, pp.58-60.

Dependence begets subservience and venality, suffocates the germ of virtue, and prepares fit tools for the designs of ambition. Generally speaking the proportion which the aggregate of the other classes of citizens bears in any state to that of its husbandmen, is the proportion of its unsound to its healthy parts, and is a good enough barometer whereby to measure its degree of corruption. While we have land to labor, then, let us never wish to see our citizens occupied at a work-bench, or twirling a distaff . . . for the general operations of manufacture, let our workshops remain in Europe. It is better to carry provisions and materials, and with them their manners and principles. The mobs of great cities add just so much to the support of pure government, as sores do to the strength of the human body. It is the manners and spirit of the people which preserve the republic in vigor. A degeneracy in these is a canker which soon eats to the heart of its laws and constitution."<sup>1</sup>

Jefferson found a theoretical foundation for his convictions in the teachings of the physiocrats. Like them, he emphasized that agriculture is "our wisest pursuit, because it will in the end contribute most to real wealth, good morals and happiness." (To Washington, August 14, 1787.) He proclaimed: "Cultivators of the earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country, and wedded to its liberty and interests, by the most lasting bonds. As long, therefore, as they can find employment in this line, I would not convert them into mariners, artisans, or anything else." (To John Jay, August 23, 1785.)<sup>2</sup>

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1. Such was his attitude in 1782 — one identical with Franklin's.

2. Gilbert Chinard believes that "it is very unlikely that Jefferson had heard much about the Physiocrats before going to France. He had already reached the most essential principles of his political philosophy before 1776, and certainly before 1784. It does not appear that when he arrived in Paris and shortly after published his *Notes on Virginia*, he was received by the French themselves as a disciple of French thought. On the contrary, he was hailed as a master and his originality was not even questioned. The fact is, that, quite independently, he reached the same conclusions as the French Economists on a certain number of important questions." (*The Correspondence of Jefferson and Du Pont de Nemours* [Baltimore, 1931], Introduction, p.xii.) No doubt the appeal of the physiocracy to Jefferson was irresistible.

Edwin R. A. Seligman found no place for Jefferson in the history of economic thought. He stated that "Jefferson never pretended to grasp economic problems, his only contributions to the subject being found in his *Notes on Virginia*, which disclose a striking incapacity to foretell the future industrial development of the country. Many years later Jefferson, as he tells us himself, 'carefully revised and corrected' Destutt Tracy, *A Treatise on Political Economy* (Georgetown, D. C., 1817), which was translated from the unpublished French original. There is, however, no evidence that Jefferson profited from its perusal."<sup>1</sup> But Jefferson certainly cannot find a benevolent verdict from the pen of a eulogist of Alexander Hamilton.

If we would briefly define Jefferson's role in the history of economic thought in the United States, we should say: Franklin introduced physiocracy to this country; Jefferson spread it. If Quesnay was the Confucius of Europe, as his followers called him, Jefferson was the Confucius of America.

But the *irdische Beigeschmack*, the pressure of native realities, left its impression on this American representative of the French physiocracy. He admitted and emphasized in his later years that "we must now place the manufacturer by the side of the agriculturist," or remain in economic dependence. (Letter to Benjamin Austin, 1816). This change in opinion was caused by the experience of the Napoleonic Wars. The Continental blockade laid the true foundation of American foreign and domestic industry.

Actual conditions in the United States made the Smithian Hamilton and the physiocrat Jefferson into protectionists, favoring the industrial development and independence of the country, suggesting state intervention for this purpose. The demands of the environment prevailed above their theoretical systems. The main distinction between the two men lay in the fact that Hamilton was striving mostly for — as we should say today — material

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1. *Essays in Economics* (New York, 1925), p.130.

civilization, while Jefferson insisted on culture — "manner and spirit."<sup>1</sup> The country needed both.

Thus the gulf between the economic objectives of Hamilton and of Jefferson became narrower. The political gulf remained unbridged.

We must not close this brief discussion of Jefferson's economic ideas without mentioning his role in the organization of the study of economics in the United States in the University of Virginia, which he proposed as a bulwark against the "pious young monks of Harvard and Yale."<sup>2</sup> Looking back later, Emerson complained that even in the more advanced state of Massachusetts, "from 1790 to 1820 there was not a book, a speech, a conversation or a thought in the State."<sup>3</sup> And Dunbar lamented that "down to the year 1820 no American produced any treatise on political economy which the world has cared to remember,"<sup>4</sup> These statements were wrong: it was a period of nascent national economics. The American mind was awakening.

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1. "The rapid industrialization of the United States was not without causing some qualms to Du Pont de Nemours. There was real danger in his opinion lest the national character of the people be completely altered and the foundations of the government deeply shaken." *The Correspondence of Jefferson and Du Pont de Nemours*, Introduction by Gilbert Chinard, p.1.

2. "In the University of Virginia political economy was first taught in 1826, although its introduction had frequently been discussed earlier. Jefferson had always taken a warm interest in the subject. When Du Pont de Nemours sent Jefferson his project of a national university at Washington, the consummation of which was prevented by the political and fiscal troubles that culminated in the war with England, one of the four schools planned was that of Social Science and Legislation. When Jefferson, in 1817, worked out his ideas for the institution, soon to become the Univ. of Va., he included in the course of instruction, at the suggestion of Cooper, the subject of political economy." Seligman, *op.cit.*, pp.316, 317.

3. *Journals*, vol.VIII, p.339. Emerson concurred in this statement with the British. "British critics in *The Edinburgh* and *The Quarterly*, commenting upon recent works of travel in America, pointed out the literary poverty of the American soil. Sydney Smith, by no means the most offensive of these critics, declared in 1820: 'During the thirty or forty years of their independence they have done absolutely nothing for the sciences, for the arts, for literature. . . . In the four quarters of the globe, who reads an American book? or goes to an American play? or looks at an American picture or statue?'" Bliss Perry, *The American Spirit in Literature* (New Haven, 1920), p.88.

4. *Economic Science in America*, *op.cit.*, p.10.



#### IV

## AMERICA OF THE MOVING FRONTIER

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THE entire social and economic history of the United States can be interpreted in terms of the moving frontier. From the time of the Plymouth settlers down to the present, when the frontier is being extended to Alaska, the movement has never ceased. But the period from the War with England to the Civil War was most outstandingly that of the moving frontier; it was at the same time the true period of the economic foundation of the country. This movement of the conquest of forest and prairie is well known and has been many times described. Its tempo was especially rapid in this period, causing swift changes and dislocations in the structure of the nascent national economy. For decades the frontier movement was the background of American life, and the hub around which have revolved some of its most important problems.

The constant increase in the number of leading commodities caused systematic dislocations, but at the same time made a permanent contribution to the sphere of interests of the country. In contrast to Brazil, where a constant change of leading commodities took place, in the United States what occurred was not a change but an addition to the already familiar fields of economic activity, the gold fever of 1849 and the frontier movement which it caused on the West Coast not excepted.

The Government accelerated and expanded the frontier movement by adding neighboring territories through purchase. The international policy of the United States in the period under discussion started with the defensive Monroe Doctrine in 1823, and was systematically moving toward the Manifest Destiny; it can also be explained in terms of the moving frontier.



The tempo and changes were accelerated by enthusiasm for new means of communication — turnpikes, canals, and later railroads. Gallatin's famous report of 1807 providing for an elaborate system connecting all sections of the country remained practically on paper until after the War of 1812. The opening of the Erie Canal in 1825 was followed by the epidemic of canal-building early in the 1830's.

The railroads especially revolutionized the old conditions, as they originated economically a centrifugal movement, paralyzing sectionalism and uniting East and West — whereas the former chief routes ran north and south — and at the same time constantly extending the domestic market. Economic progress in this period was great, and every textbook on economic history contains a description and appraisal of it.

It was of course not a rectilinear development. The cyclical development of the modern economy affected the United States in a most severe way. The panic of 1819 — an aftermath of the Napoleonic Wars —, the violent crisis of 1837, the long depression of 1857-1860 are familiar to everyone.

In the meantime, drastic sectional changes were taking place. The Embargo ruined New England shipping and merchants, but brought prosperity to the manufacturing interests. It represents a chapter in the well-known story of the role played by Napoleon's Continental Blockade in the industrialization of a large part of the world. The rise of industrialism in New England was swift. "On an irregular but narrow belt of land stretching from southeastern Maine to the Chesapeake Bay, manufacturing establishments had been erected, towns and cities had sprung into existence as if by magic, and migration from the poor farms and the hard conditions of New England country life was also turning to the mill centers, and thus giving promise of a new East, whose life should be industrial and urban like that of smoky, grimy Lancashire, England. The older commercial and seafaring interests, which had given the Federalists their power and made the American flag known on every sea, were now giving way to the vigorous young captains of industry whose mills at Lowell, Providence,

New Haven, New York, Philadelphia, and Baltimore gave employment to thousands of people."<sup>1</sup>

The decline of Southern tobacco interests was compensated for by the rise of the Cotton Kingdom. But the South was less affected by the change, and resisted any intrusion into its patriarchal plantation slavery economy.

The center of power was being transferred to the Middle and Western States. The Keystone State, with its growing manufacturing interests, in possession of the principal gateway to the West, was becoming, thanks to its strategic position, the leader of the country. "Economic forces, without question, provided Pennsylvania protectionism with its most impelling dynamic. Throughout the antebellum period there was a marked correlation between prevailing economic conditions and the trend of protectionist sentiment in the state."<sup>2</sup>

Land occupation has been the central thought in the history of the settlers, causing a mobility and restlessness which began to lessen only with the Homestead Act of 1862.

The War of 1812 was a demarcation line in many directions, but was certainly a milestone in the history of the formation of the American nation. In order to create a nation it was not sufficient to transplant colonists from the Old World, declare independence, proclaim a constitution, and add hordes of immigrants to the population.

The complete isolation caused by the war forced the country to turn inward its interests — economic as well as intellectual. The decline of the shipping centers was at the same time a decline of the cosmopolitan spirit of the seacoast. The Monroe Doctrine of 1823 was a pronouncement of the spirit of isolation from the Old World; at the same time it was probably the most significant evidence of a growing national self-consciousness. America became dominated by the national spirit born in the new manufacturing centers and on the frontier.

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1. William E. Dodd, *Expansion and Conflict* (Boston and New York, 1915), p.41.

2. Malcolm R. Eiselen, *The Rise of Pennsylvania Protectionism* (Philadelphia, 1932), p.266.

The American continent possessed immense natural resources, and a constantly extending frontier presented an immense domestic market with a never saturated demand. The immigrants and frontiersmen supplied the subjective factors necessary for the development of entrepreneurs — aggressive individualism and the philosophy of traditionless experimentation. The frontier gave birth to and consolidated industrialism, constantly creating new demand, stimulating new industrial enterprises, and itself becoming industrialized. This was the origin of the Americanism which superseded colonialism and cosmopolitanism.<sup>1</sup> As Gallatin wrote in 1816, "The people have now more general objects of attachments with which their pride and political opinions are connected. They are more Americans; they feel and act more as a nation."<sup>2</sup> This economic Americanism was the great amalgamating force in the history of the American population.<sup>3</sup> The frontier, not the Plymouth Rock, created the American. A frontier is a state of mind, and this state of mind produced the American melting-pot. It did not possess the dignity and culture of New England; it was vigorous, restless, optimistic, belligerent, "impatient with the old order of things," to use Turner's expression — being based on democratic principles and the romantic frontier. It found its political expression in the Jacksonian movement of revolt when the frontiersman, the Indian fighter, the military hero, the "common" man, defeated the "superior" man, John Quincy Adams. The term "West," says Larson, "is not necessarily limited to geographical facts, nor does it need to mean a definite area. . . It may be defined as a peculiar condition of social life, the sort of life that frequently develops when men and women who are more

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1. See Carl R. Fish, *op.cit.*, pp.1, 2.

2. Gallatin to Mathew Lyon, May 7, 1816, in *The Writings of Gallatin*, (Philadelphia, 1879), vol.I, p.700.

3. A. M. Simons aptly remarked that "only since the frontier has disappeared have great colonies grown up in which all the national peculiarities of those who compose them are accentuated by the internal resistance to the seemingly hostile territory about them." *Social Forces in American History* (New York, 1911), p.140.

or less controlled by the instincts of civilization seek to establish homes in the wilderness."<sup>1</sup>

*Die Stadtluft macht frei* of European history became modified in the United States into "The frontier air makes free." Whittier emphasized it thus:

"We cross the prairie as of old  
The Pilgrims crossed the sea,  
To make the West, as they the East,  
The homestead of the free!"

Buoyant Americanism found its strongest representative in the new middle class formed in the state of mind of the frontier. This middle class resented rule by theology, aristocracy, or the mercantile classes; it had and began to ascertain its own economic interests. The middle class was anxious to hasten the capitalistic development of the country. It developed a program: a demand for free land, room for expansion, improvements, paper currency, a protective tariff. John Randolph's observation was typical: "The merchants and manufacturers of Massachusetts and New Hampshire repel this bill, while men in hunting shirts, with deerskin leggings and moccasins on their feet, want protection for home manufacturers."<sup>2</sup> Since the embargo the American mind had been reshaping its psychology, fashioned by the agrarian and mercantile world.

The new middle class — the frontiersman and the manufacturer — was impatient with the old order of things. Its dissent found expression in the growing American national economic thought. It entered the world with the idea of self-sufficiency. The internal isolation of different parts of the country, the isolation of the farm, of the individual household on the frontier, the isolation of the country during the Embargo, compelled the American — and, he believed, the nation — to work out their own problems. The main problem was: more production. Economic nationalism expressed itself as in favor of industrialization. The situation was the reverse of that in England. There, the Industrial Revolution

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1. Laurence M. Larson, *The Changing West* (Northfield, 1937), p.4.  
2. *Debates of Congress* (1824), p.2370.



created the discipline of economics. Nascent American economic thought insisted on the industrialization of the country. (It was the same in the case of the railroads, which were created by the Industrial Revolution in England, but caused the Industrial Revolution in the United States.)

American national thought found some of its inspiration in Napoleonic practice. Napoleon's point of departure for his entire economic policy was the national interest of France proper. He could not visualize a strong nation without strong industry, nor strong industry without protectionism.<sup>1</sup> He stated: "Les douanes que les économistes blamaient ne devaient point être un objet de fisc, il est vrai; mais elles devaient être la garantie et les soutiens d'un peuple."<sup>2</sup> Again in accord with Napoleon, American national thought was not in sympathy with theoretical economists, but had a melody of its own. As was said by a neglected early American economist, "Everything relative to political economy must be original. Without recurrence to the past we have to consult futurity; we have everything to create and little to correct; and, instead of remedial institutions, formed on retrospective views, we are to establish principles that shall interest prosperity. Hence we cannot be too cautious how we assume for correct maxims, those which are found in European works on political economy."<sup>3</sup>

The English ideas of *laissez faire* and especially of free trade, representing the interests and aspirations of the older and stronger English middle class, were unacceptable to the young American middle class. In the United States, only the declining shipping and mercantile aristocracy of New England, as well as the new moneyed aristocracy of New York, continued to adhere to English ideas. These mercantile interests were inseparable from the cosmopolitan spirit of England. When later on, under the influence of growing industrialism, their opinions changed from an

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1. See E. Tarlé, *The Continental Blockade* (in Russian) (St. Petersburg, 1913).

2. *Le Mémoires de Sainte-Hélène* (Paris, 1894), vol.II, p.621.

3. L. Baldwin, *Thoughts on the Study of Political Economy* (Cambridge, Mass., 1809), p.67.



uncompromising free-trade policy to an emphatic protectionism, their general attitude remained unaltered: that of English traditional preservation of the *status quo*, and the denial of any state intervention in private economy. And even when New England's intellectuals began to preach the necessity of transformation in the contagious atmosphere of American energetic optimism, they pursued it in an abstract philosophical, even sentimental, way, distinct from the robust buoyancy of the Americanism of that period. They added the idealistic philosophy of Germany to English utilitarianism.

The South was already under the influence of French thought. In his continuous work of adapting the Constitution to democratic ends, Jefferson was inspired by the liberal thought of France. In this trend the South was now joined by the West, which applied vigor and activity to the French equalitarian ideas which had become the theoretical principles of the South.

Thus the sectional division is clear in the period under investigation; New England and the South defend their respective *stati quo*. The Middle States and the New West insist on transformation. This division is of course not an absolute one: overlappings are frequent. The tables are sometimes turned, and we find dissenting New Englanders and Southerners; there are also a few representatives of middle positions, but the trend remains.

The dissent and search for a new order of things sometimes took radical forms and gave birth to the first socialist preachers and the first utopian dreamers in America.

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We shall begin with the followers of the English classics who originated mostly on the New England coast — the continuation of Europe. Their teachings presented almost undiluted English classicism. In economics New England was intellectually still a colony of old England. "The true Bostonian," Henry Adams said, "always knelt in self-abasement before the majesty of Eng-

lish standards." The reason was not only slavish adherence to the masters, but also a combination of similar heredity, influences, and interests. The early American classics not only borrowed English ideas but sympathized with them. In origin, environment, and sympathies, these early classics were largely English. The early milieu of John McVickar (the first professor of political economy at Columbia College) was England; Thomas Cooper, born in London and educated at Oxford, was and remained known as "the British president of South Carolina College"; Henry Vethake was born in British Guiana. McVickar edited McCulloch's Encyclopedia article on "Political Economy"; Samuel Phillips Newman based all his work on Adam Smith.

The early American classics were recruited mostly from professors and ministers. Among the academic teachers of political economy were usually holders of chairs of mathematics, moral philosophy, chemistry, or literature. Most of them taught political economy — to use Bagehot's expression — "like astronomers who had never seen the stars." The sources of their inspiration and wisdom were the classroom and the library. But in the words of James Russell Lowell, "Books are good dry forage; we can keep alive on them; but after all, men are the only fresh pasture."

These classics could not avoid sometimes taking a stand on actual problems — the tariff, banking, currency, taxation. But their chief production was that of textbooks. McVickar, as mentioned above, edited McCulloch's "Political Economy"; Cooper<sup>1</sup> pub-

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1. Cooper's thought and activity were rather complicated and changeable. "South Carolina College, in the nullification period, was an interesting center of politics and scholarship. Its president was the philosopher and economist, Thomas Cooper, an emigrant from England. During his residence in Pennsylvania, he had been an advocate of the protective tariff, on the theory of fostering infant industries for defense; in South Carolina, however, he became an ardent opponent of the tariff and an extreme champion of state sovereignty, and his teaching influenced the men who became leaders in that state. In England an antislavery man, he was, in South Carolina, not only a defender of slavery, but the predecessor of the most eminent of the men who formulated the proslavery philosophy. Originally an idealistic Jeffersonian Democrat, assailed as a 'Jacobin,' fined and imprisoned under the Alien and Sedition Act for criticism of President John Adams, he became, in South Carolina, a critic of democracy and of the social assumptions of the Declaration of Independence.

lished in 1826 his lectures on the *Elements of Political Economy*, highly praised by McCulloch; the latter was followed by Henry Vethake with his *Principles of Political Economy*.<sup>1</sup> Francis Wayland, the president of Brown University, published the most popular textbook prior to the Civil War<sup>2</sup> (not purely classic). Marcius Wilson followed Wayland,<sup>3</sup> but not without some element of optimism, unusual for this current of thought. All of them were in tune with the economic liberalism which became triumphant in Europe in the first half of the nineteenth century. Free competition and denial of state interference was their dogma, economic liberty their slogan. Typically the Reverend McVickar declared: "In a single word, it is that of *freedom*, freedom in labour, enterprise, and capital; as leading to the fullest development of all our national resources. I teach, then, perfect freedom in principle, and as near an approach to it in practice, as consistent with the necessities and moral guardianship of government."<sup>4</sup>

Cooper stated: "From the time of Colbert to the present time, every fact has tended to establish the reasonableness of the request, *laissez-nous faire*; let us manage our business."<sup>5</sup> Their economic liberty reduced citizens to the dimensions of *homo economicus*, an acquisitive creature in possession of rights of trade but not rights of man. An extreme abstractness was their common feature.

The early American classics formulated a body of universal truths and natural laws. Again McVickar presents a typical illustration, declaring that "to question the principles of science is

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Originally an antagonist of the National Bank, he became its supporter, and even urged Nicholas Biddle to allow the use of his name as a candidate for nomination for the Presidency of the United States. Perhaps these confirmations to the thought of South Carolina explain why in one of the most conservative of communities, he was able violently to attack the clergy and ecclesiasticism and to expound in his classes a materialistic and utilitarian philosophy for years before he was forced to retire." Frederick Jackson Turner, *The United States 1830-1850* (New York, 1935), pp.202, 203.

1. Philadelphia, 1838.

2. *The Elements of Political Economy* (Boston, 1837).

3. *A Treatise on Civil Policy and Political Economy* (New York, 1838).

4. *Introductory Lecture to a Course of Political Economy* (London, 1830).

5. *Op.cit.*, p.22.

always the part of ignorance...principles...are fixed and uniform.”<sup>1</sup> In comparison with their English inspirers, the early American classics developed a peculiar deistic coloring, easily explained by their origin and dominance on the soil of the Puritans. McVickar expressed this trend in saying: “I cannot but reverence the claims of free commerce as something *holy*, something allied to the policy of a higher power than man, linked with the fortunes of the human race, and destined to be the blessed means of diffusing over the world universal peace, and communicating by degree to every tribe and people on the face of the earth, the blessings of *civilization*, the comforts of *social* labour, and the light of *revealed* religion.”<sup>2</sup>

In his *First Lessons* he used stronger language: “To forbid trade among nations is therefore a very unwise thing, for it is contrary to the will of God.”<sup>3</sup>

Francis Wayland in the preface to his book declared that “the principles of political economy are so closely analogous to those of moral philosophy that almost every question in the one may be argued on grounds belonging to the other.”<sup>4</sup> And even many years later Arthur L. Perry began his treatise with the following statement:

“Political Economy is the science of exchanges, or, what is exactly equivalent, the science of value. To unfold this science in an orderly manner will require an analysis of those principles of human nature out of which exchanges spring; an examination of the providential arrangements, physical and social, by which it appears that exchanges were designed by God for the welfare of man; and an inquiry into those laws and usages devised by men to facilitate or to impede exchanges.”<sup>5</sup>

“But it is evident at the very first glance, that the Creator has not made men thus. Society is God’s handiwork. It is the most

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1. *First Lessons in Political Economy*, No. 1 (Boston, 1825), p.4.

2. *Introductory Lecture*, p.34.

3. *Op.cit.*, p.23.

4. *Op.cit.*

5. *Elements of Political Economy* (New York, 1866), p.1.



complicated and the most wonderful, as it was the final, work of his hands."<sup>1</sup>

Still later Francis Bowen considered the natural laws as "the ordinances of Divine Providence."<sup>2</sup>

On rare occasions, in spite of the universality of classical conceptions, Americanism made itself felt when the American classics tried to illustrate theories from English textbooks by examples and data taken from American life. In this they were different from the early nineteenth-century English economists who "deduced their doctrines, not from the study of the works of their predecessors, but from the actual experience of England during the war."<sup>3</sup> McVickar and Thomas Cooper seldom refer to conditions in the United States. Typically in a footnote we find Cooper's outbursts against the American System.<sup>4</sup>

But there were problems in dealing with which even these obedient followers of English classics could not disregard the experience and peculiarities of the American milieu. The vast spaces and scattered population of the continent created conditions contradictory to the classic law of diminishing returns, the rent theory, the Malthusian doctrine of population, and the wage-fund theory. Especially the Malthusian theory was a proving-ground for all economists. I refer the reader to the able study by Joseph J. Spengler, who presented evidence that "the reaction of American writers on political economy to the population doctrines of Malthus was largely unfavorable until after the middle of the nineteenth century. It is only as we approach the Civil War period and during the years following that we find a decided shift toward Malthusianism. However, anti-Malthusianism continued to have support of American writers on economic topics until the turn of

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1. *Ibid.*, p.39.

2. *American Political Economy* (New York, 1870), p.19.

3. E. Cannan, *History of the Theory of Production and Distribution* (London, 1903), p.148.

4. "Such doctrines as those which are taught by Mr. Clay and Mr. Rush show how very far these members of the administration are behind the knowledge of the day." *Op.cit.*, p.22.



the present century."<sup>1</sup> Thus in the ranks of the American classics an internal conflict developed, conflict between the imported and habitual idea of conservation, of imported pessimism, and the native optimism arising from actual conditions in America demanding transformation. Some of these classics sought reconciliation, but most of them became involved in abstractions and in them found an escape. Few possessed the mental agility to protest.

The epigons of early classicism fill the forties and fifties of the nineteenth century, and even a few years after the Civil War. Of course the economic situation and problems changed—a liberal tariff was in force, slavery and sectional problems were on the program of reform. There were alterations in English theory, too, as John Stuart Mill's *Principles of Political Economy* was published in 1848.

The American followers of the classics at this time showed an intellectual decline, even in comparison with their dull and pale predecessors. If we take John Bascom or Stephen Colwell or Arthur Perry, our verdict must remain the same. Perry brought a new note demonstrating a Bastiat-like optimism combined with a profound deism.<sup>2</sup>

What was the influence of the early American classics? Daniel Webster formulated it best, stating it in a letter to Dalton:

"I give up what is called the science of political economy. I believe I have recently run over twenty volumes from Adam Smith to Professor Dew of Virginia; and from the whole, if I

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1. "Population Doctrines in the United States. I. Anti-Malthusianism," in *Journal of Political Economy* (August, 1933), p. 433.

2. "While it is impossible to make discussions in Political Economy amusing, it is also impossible intelligently to conduct them without constantly coming to conclusions which are most cheering. We shall find a gratifying law underlying the operations of production, which demonstrates that God designed man to be a producer, and to produce under conditions of constantly increasing advantage. The world with its forces, and man with his motives, are so admirably constructed, that these conditions of increasing advantage cannot fail, under freedom, to rebound to the benefit of the masses of men. We will first determine what production is, and then the cheering law that underlies it." *Op.cit.*, p.105.

were to pick out with one hand all the mere truisms and with the other all the doubtful propositions, little would be left.”<sup>1</sup>

He is no less emphatic in his letter to Jared Sparks:

“I must confess there is a great deal of solemn commonplace and a great deal also of a kind of metaphysics in all or most of the writers on these subjects. There is no science that needs more to be cleared from the mists than political economy. If we turn our eyes from books to things, from speculation to fact, we often perceive that the definitions and rules of these writers fail in their application.”<sup>2</sup>

Willard Phillips resigned his position in Harvard College to become a legislator and a jurist, as he considered the current economic teachings “groundless postulates and sophistry.” And many years later we read in *The Education of Henry Adams*, in the recollection of his time at Harvard College (1854-1858), that “beyond some incoherent theories of free-trade and protection, he got little from Political Economy.”<sup>3</sup>

The influence of the classics on practice was not of more importance. The interests of the wealth and culture of New England were represented more in great controversial papers, orations, newspapers, and pamphlets, than in professorial textbooks. The true representatives of economic individualism were not the pale and dull scholars but vigorous men of action like John Marshall and Daniel Webster.

Although John Marshall was born in Virginia, he belonged rather to Boston. He was a devoted defender of the conservationist principles of the Constitution. “His strategic judicial decisions served as a causeway over which passed the eighteenth-century doctrine of the sovereignty of the law, to unite with the new philosophy of capitalistic exploitation. The turbid waters of frontier leveling and states’ rights’ democracy washed fiercely about him, but he went on quietly with his self-appointed work. . . The two fixed conceptions which dominated Marshall throughout

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1. Writings and Speeches (Boston, 1903), vol.XVII, p.501.

2. *Op.cit.*, vol.XVI, p.125.

3. Boston, 1918, p.60.

his long career on the bench were the sovereignty of the federal state and the sanctity of private property; and these found their justification in the virulence of his hatred of democracy."<sup>1</sup>

Daniel Webster, in spite of all his disrespect for contemporary economists, showed an intimate knowledge of the English classics. R. L. Carey made a careful investigation of Webster's opinions and stated, "His naturalism and optimism, the doctrine of harmony between individual and society, his laissez-faire theory, and his faith in the beneficence of the competitive society reveal the unmistakable influence of Adam Smith. . . His frequent references to labor as a producing cause of all wealth and the analysis of fundamental principles governing international trade and species movements were highly suggestive of Ricardian economics. Again, Webster was guided in the determination of many of his public policies by the Utilitarian philosophy. However, Webster did not impose restraints upon his own actions because of blind allegiance to doctrine. Whenever expediency suggested to him that a compromise with, though not an abandonment of, principle was necessary for the public interest, he did not hesitate to make it, a circumstance which proved to be true with respect to some of his most cherished opinions, such as laissez-faire, competition, free trade, and public land policy."<sup>2</sup>

"Confidence in a benevolent, natural, economic order which works best if left undisturbed is found throughout the whole literature of Daniel Webster. His naturalism was especially prominent in the free-trade speeches delivered before 1825, in all of which he vigorously denounced government."<sup>3</sup>

But adhering to the principles of laissez-faire and individualism, Webster in 1828 abandoned the policy of free trade and joined the propagandists of protection for American manufactures, agriculture, and navigation; he always remained a strong advocate of government supervision over the development of internal improvements, and of a national currency. Representing in his early

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1. V. L. Parrington, *op.cit.*, vol.II, pp.20, 23.

2. *Daniel Webster as an Economist* (New York, 1929), p.196.

3. *Ibid.*, p.26.

years the mercantile interests in New England, Webster in the latter part of his life, under the influence of the new manufacturing interests of New England, went so far as to join Clay's American System, against which he had previously protested with violence.

Carey is correct in his statement that Webster's economic ideas were for the most part those of a conservative. Much of his life was dedicated to actions designed to preserve American institutions against innovation. "He sought to achieve equilibrium and balance and to enforce the *status quo* principle in economic and political life."<sup>1</sup> But he was not so conservative as to fail to realize current changes, even in spite of his early pronouncement: "I am not in haste to see Sheffield and Birmingham in America."<sup>2</sup>

"Webster's conservative attitude toward established institutions determined the role he was to play in his long and eventful public career. In the great questions of trade and tariff, banking and finance, currency and credit, government income and expenditure he almost invariably stood forth as the champion of traditional and well-established practices. There was little of the reformer, or the social and economic evangelist, in Webster. Rarely was he a crusader in a new untried venture, and never was he a prey to utopian visions and dreams for the uplift of the masses."<sup>3</sup>

Webster's strict adherence to the principle of conservation is best illustrated in his attitude toward the institution of property. In a famous essay he declared: "Almost every man among us is interested in preserving the state of things as it is because almost every man possesses property. He sees clearly what he would lose by change."<sup>4</sup> And we must agree with the author of a monograph dealing with Webster as an economist:

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1. *Op.cit.*, p.195.

2. "Speech on the Embargo, April 6, 1814," in *Writings and Speeches*, vol. XIV, p.43.

3. Carey, *op.cit.*, p.20.

4. "Law of Creditor and Debtor," in *North American Review* (July, 1820). reprinted in *Writings and Speeches*, vol.XV, p.84.



"The importance assigned by Webster to property in the existing economic order was practically without limit... He showed, first, that great movements and revolutions in the world's history have been animated by contests over property; secondly, he interpreted the Constitution of the United States in terms, primarily, of a desire by its creators to protect and preserve property; and thirdly, he developed in one of his best speeches his exposition of the property basis of government."<sup>1</sup>

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In the South, things were different. The economic thought of that region was not uniform in the first sixty years of the nineteenth century. Jeffersonian idealism found its followers in Jackson and Lincoln, while Calhoun represented the trend of economic reaction, and Henry Clay the buoyant energy of the frontier. It was the difference in viewpoints between Virginia and South Carolina and the New West. But if we consider the South as an entity, the main feature of its thought was its defense against the North—the defense of its economic institutions, of its political rights, of its intellectual *dolce far niente*. The South preferred an occasional storm shaking the foundations of its system to persistent strong Northern winds.

Speaking of the time prior to the Civil War, James Truslow Adams bitterly remarks that "even one who loves the South cannot fail to find something pathological in the intellectual life between 1830 and 1860. In the North the fresh winds of new ideas carried many voices on them, of which the often lying screeches of the Abolitionists were but one. In the South there seem to be no winds, and only the refrain of slavery as against the world. In almost everything the South was aligned against the general movement of the times. In spite of occasional efforts to establish manufactures, the slave economy was essentially agrarian, whereas

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1. Carey, *op.cit.*, p.33.



the world trend was toward industrialism. Southern churches, having to defend what those of the rest of the world mostly condemned, were forced to separate themselves. Authors had to engage largely in painting in the most attractive colors what the rest of the world considered wrong. Statesmen had continually to fight for an institution which was doomed by world judgment. Every political act, every constitutional question, had to be considered in the light of slavery. But this situation was fraught heavily with danger for the healthy spiritual life of both individuals and the people."<sup>1</sup>

The opposition to the North was first concentrated in Virginia, the mother of the agrarian West, and its economic philosophy found its best expression in John Taylor of Caroline, Senator from Virginia and a contemporary expounder of the Jeffersonian ideals. The perusal of the numerous volumes of his writings certainly leaves the impression that this thinker, forgotten by later generations, was a penetrating critic of the Hamiltonian system, even if we do not agree with Parrington that he was "the most original economist of his generation."<sup>2</sup> Taylor was an outspoken epigon of the physiocratic trend in the positive part of his teaching, and at the same time a sharp and severe critic of the nascent industrial order.

But whereas Jefferson possessed the insight to recognize in his later years the economic progressiveness of industrialism, Taylor harked back to the bucolic idyll of agrarianism. He was bitterly opposed to the mercantile class. He declared: "Gain can never arise out of nothing, because it is substantial. It must therefore be the product of labour, and labour only," and added that "brokers add nothing to commodity."<sup>3</sup> He remained true to this conviction to the end of his life. He was against "a monopoly of the bulk of the circularizing mediums" through the Bank of

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1. *Op.cit.*, p.94.

2. *Op.cit.*, vol.II, p.14.

3. (John Taylor), *An Inquiry into the Principles and Tendency of Certain Public Measures* (Philadelphia, 1794), p.10.

the United States. He opposed the financial aristocracy and the "minister intoxicated with influence" who exclaims: "Public debt is a public blessing." Taylor was against "complete commercial despotism."

Among his writings, the *Arator*,<sup>1</sup> as he called his *Agricultural Letters*, gives the quintessence of Taylor's anti-industrial (which was equivalent to anti-capitalist or, as a historian would say, pre-capitalist) attitude. He blamed the Hamiltonian system for the depressed state of agriculture:

"Armies, navies, loaning, banking, and especially protecting duties were all hostile to its welfare. Taken together they created a system which derived its substance and its special privileges from the government, and at the expense of seven eighths of the people, engaged in agriculture. . . . The best market for our agriculture was abroad, but the best for our manufactures was at home. Thus agricultural products had to cross the ocean and encounter competition abroad, while manufacturing interests met competition from abroad here on their own grounds. The disadvantages of the first competition suffice to excite all the efforts of agriculture to save her life; the advantages of the second suffice gradually to bestow a sound constitution on manufacturing. . . . The American manufactures receive first a bounty equal to the freight, commission, and English taxes, upon their English rivals; and secondly, a bounty equal to our own necessary imposts. . . . To this enormous inequality protecting duties are added, further to enrich the one and impoverish the other."<sup>2</sup>

Parrington writes: "Taylor had grown up under the traditional domestic economy. He was habituated to think of production in terms of consumption, and of money as a stable measure of exchange. He could not adjust his mind to the theory of production for profit, of middle-man speculation, as socially legitimate; and when that speculation extended to the national currency,

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1. Georgetown, 1813.

2. *Arator*, pp.18-21.

and exacted its profits from the medium of exchange, he took alarm."<sup>1</sup>

During the third decade of the nineteenth century the people of South Carolina "had become so hostile to the tariff and the manufacturing interests which demanded it, that by 1831 it was considered a great disgrace to be accused of wishing good fortune to any manufacturing enterprise."<sup>2</sup> "It was such a disgrace in South Carolina to have any connections with manufacturing interests that men would fight if accused of it."<sup>3</sup> The South considered industrialism as slavery under the guise of freedom. Thomas R. Dew emphasized the "error and impolicy of the restrictive system."<sup>4</sup>

Not an economist, but typical of the South in his negation of the growing industrialism, was Alexander H. Stephens:

"A careful historian devoted to a single idea rather than a creative political thinker; a thorough democrat of the Jeffersonian school, humanitarian, liberty-loving, courageous; a man who devoted his life to the preservation of constitutional liberty as it had taken shape before the industrial revolution unsettled the basis of modern life, Alexander H. Stephens was an honest gentleman who bravely defended the traditions of the South in the face of a new order. He was of an earlier generation, instinctively hostile to all consolidation, which, under the impulse of economic evolution, was obliterating state lines, gathering financial power in great reservoirs, and creating a new alignment between labor and capital. With such evolution it was axiomatic that political practice should follow economic fact; that a consolidating wealth should create a consolidated political state. Great enterprises with ramifications in every section would not long tolerate a multitude of state sovereignties; sovereignty must be centralized at Wash-

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1. *Op.cit.*, vol.II, p.18.

2. Chauncey S. Boucher, *The Anti-Bellum Attitude of South Carolina towards Manufacturing and Agriculture*, in Washington University Studies (St. Louis, Mo. 1916), p.245.

3. *Ibid.*, p.243.

4. *Lectures on the Restrictive System* (Richmond, Va., 1829), Preface.

ington where it could be guided and controlled. The war hastened what in the nature of things was inevitable."<sup>1</sup>

Hugh Swinton Legaré, the intelligent, cultured Southerner, diplomat, *littérateur*, orator, statesman, educated in Paris, London, and Goettingen, admirer and connoisseur of Greek and Roman culture whose speeches and writings sound like selected samples of French neo-classic literature, an indefatigable student, represented the type of Southerner who accepted the growing industrialization as a progressive phenomenon but remained faithful to the ideas of freedom, which he understood more in the sense of the intellectuals of the eighteenth century than of the middle-class teachings of the nineteenth. "I know," he said, "that the cardinal spring and source of our success is freedom — freedom of thought, freedom of speech, freedom of action, freedom of commerce."<sup>2</sup>

Legaré's economic realism relates him to another South Carolinian, Calhoun, while John Taylor and Stephens followed the early Jeffersonianism. He represented the growing cotton interests depending on foreign markets, and not the simple agrarianism of John Taylor. He eloquently approved of industrial progress:

"Sir, it is a favorite phrase of those who boast of what is called 'the march of intellect,' that things are thus changed because the 'schoolmaster is abroad.' But I tell you that something far more effective than the schoolmaster, a mightier than Solomon, is abroad. It is the *Steam Engine* — in its twofold capacity of a means of production and a means of transport — the most powerful instrument by far of pacification and commerce, therefore of improvement and happiness, that the world has ever seen; which, while it increases capital, and multiplies beyond all imagination the products of industry, brings the most distant people into contact with one another. . . effaces all peculiarities of national character and promises, at no distant period, to make the whole Chris-

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1. Parrington, *op.cit.*, vol.II, p.92.

2. *Writings of Hugh Swinton Legaré*, edited by his sister (Charleston, S. C., 1846), vol.I, p.306.



tian world at least, one great family. . . The single circumstance of bringing the wonderfully cheap fabrics produced by modern machinery, within the reach of even the humblest of the laboring classes, of substituting decent and comfortable raiment for the few scanty and filthy rags—the squalid exterior, which makes poverty not only more painful, but at once more humiliating and degrading to its victim, and more disgusting to others than it ought to be, will signally contribute to elevate the condition of the poor in the social scale—to raise their self-esteem, and to increase the sympathy of others for them—in a word to make them feel themselves men, entitled to a place among men—not pariahs and outcasts, whose contact is contamination. A people well clad and well housed will be sure to provide themselves with all the other comforts of life; and it is the diffusion of these comforts, and the growing taste for them, among all classes of society in Europe—it is the desire of riches as it is commonly called, that is gradually putting an end to the destructive and bloody game of war, and reserving all the resources hitherto wasted by it, for enterprises of industry and commerce, prosecuted with the fiery spirit which once vented itself in scenes of peril and carnage.” But true to the Southern pattern, Legaré deplored that “the result of all this is, that very inequality of wealth, that accumulation of vast masses of it in a few hands, against which we have heard so much lately, as if it were something inconsistent with the liberties, the happiness and the moral and intellectual improvement of mankind. Gigantic fortunes are acquired by a few years of prosperous commerce—mechanics and manufacturers rival and surpass the princes of the earth in opulence and splendor. The face of Europe is changed by this active industry, working with such mighty instruments, on so great a scale I have travelled in parts of the continent which the spirit of gain, with its usual concomitants, industry and improvement, has invaded since the peace, at an interval of fifteen years, and been struck with the revolution that is going on.”<sup>1</sup>

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1. “Spirit of the Sub-Treasury,” speech in the House of Representatives of the United States, October, 1837, *op.cit.*, vol.I, pp. 285, 286.



He protested against protective tariffs "not only as a Southern man." "The doctrine of free trade," he said, "is a great fundamental doctrine of civilization. The world must come to it at last, if the visions of improvement in which we love to indulge are ever to be realized. It has justly been remarked that most of the wars which have for the last two centuries desolated Europe, and stained the land and sea with blood, originated in the lust of colonial empire, or commercial monopoly. Great nations *cannot be held together under a united Government* by anything short of despotic power, if any one part of a country is to be arrayed against another in a perpetual scramble for privilege and protection, under any system of protection. They must fall to pieces, and if the same blind selfishness and rapacity animate the fragments which had occasioned the disunion of the whole, there will be no end to the strife of conflicting interests. When you add to the calamities of public wars and civil dissensions, the crimes created by tyrannical revenue laws, and the bloody penalties necessary to enforce them, the injustice done to many branches of industry, to promote the success of others, the pauperism, the misery, the discontent, the despair, and the thousand social disorders which such a violation of the laws of nature never fails to engender, you will admit, I think, the cause of Free Trade is the great cause of human improvement."<sup>1</sup>

Legaré was of course in favor of paper currency, and attributed the fluctuations of the currency, "the ruinous irregularities of bank paper," "to commerce itself, not to the means which it employs";<sup>2</sup> and he considered it "absurd to talk of anything like a metallic currency in the United States."<sup>3</sup> He refused to "render the whole country tributary to the money changers of Wall Street."

Quantitatively the production of the South in writings on economics was substantially poorer than that of the North. Taylor, Stephens, Legaré — no one of them was a professional economist.

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1. "Speech before the Union Party," delivered before the Union and States Rights Party, July 4, 1831, Charleston, S. C., *op.cit.*, vol.I, pp.272, 273.

2. "Spirit of the Sub-Treasury," *op.cit.*, vol.I, p.307.

3. *Ibid.*, p.313.

We next encounter a Southern representative of the academic life—George Tucker, professor of moral philosophy and later of political economy at the University of Virginia, a novelist, historian, economist, statesman. J. R. Turner is correct in stating that "economists have not forgotten him; they never knew him,"<sup>1</sup> but he exaggerates Tucker's importance as an original thinker. Turner certainly modernized Tucker by declaring that "his subjective theory of value is essentially the same as that held by leading thinkers of the modern psychological school"—obviously under the influence of his own teacher, Frank A. Fetter, the leader of the American psychological school in economics. I should rather say that Tucker's place in the history of the discipline is based on his inductive investigations.<sup>2</sup>

Tucker was an outspoken anti-Ricardian. He explained in the preface to *The Laws of Wages, Profits and Rent* that when theories which he believed unsound had received the sanction of so many distinguished names, and had been so generally adopted in our Universities and Colleges, it seemed essential to his own defense, as well as more just to the cause of science, to take especial notice of the theories in question, and to point out wherein he thought them erroneous.

"He had long been of the opinion that Mr. Ricardo, though possessing merit of a very high order as a writer on political economy, and entitled to all his reputation for a thorough knowledge of the subjects of money and finance, is mistaken in his elementary principles of the science; that the origin and progress of rents admits of a more simple and natural explanation than he has given; that his theory of wages is inconsistent with itself, and that of profits contradicted by the whole history of capital in the civilized world."<sup>3</sup>

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1. *Op.cit.*, p.82.

2. See also his *Progress of the United States in Population and Wealth in Fifty Years as Exhibited by the Decennial Census* (New York, 1843); *History of the United States to the End of the 26th Congress in 1841*, 4 vols. (Philadelphia, 1856-57); and *Life of Thomas Jefferson*, 2 vols. (Philadelphia, 1837).

3. Philadelphia, 1837, *priv.*

Tucker was full of optimism concerning the United States, and in this direction, as well as in his strong opposition to the classics, he is related to the romantic national current of American economic thought, discussed below. His optimism is best expressed in his utopian novel, *A Voyage to the Moon*; the prophecies he makes there deserve quotation.

"'In all other countries,' said I, 'civilization and population have gone hand in hand; and the necessity of an increasing subsistence for increasing numbers had been the parent of useful arts and of social improvement. In every successful stage of their advancement, such countries have equally felt the evils occasioned by a scanty and precarious subsistence. In America, however, the people are in full enjoyment of all the arts of civilization, while they are unrestricted in their means of subsistence, and consequently in their power of multiplication. From this singular state of things, two consequences result. One is, that the progress of the nation in wealth, power, and greatness, is more rapid than the world has ever before witnessed. Another is, that our people, being less cramped and fettered by their necessities, and feeling, of course, less of those moral evils which poverty and discomfort engender, their character, moral and intellectual, will be developed and matured with greater celerity, and, I incline to think, carried to a higher point of excellence than has ever yet been attained. I anticipate for them the eloquence and art of Athens — the courage and love of country of Sparta — the constancy and military prowess of the Romans — the science and literature of England and France — the industry of the Dutch — the temperance and obedience to the laws of the Swiss. In fifty years, their numbers will amount, allowing for a decreasing rate of multiplication, to three or four hundred millions. Nor does it seem impossible, that from the structure of their government, they may continue united for a few great national purposes, while each state may make the laws that are suited to its peculiar habits, character, and circumstances. In another half century, they will extend the Christian religion and the English language to the Pacific Ocean.'"<sup>1</sup>

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1. (Joseph Atterley), *A Voyage to the Moon* (New York, 1827), pp.62, 63.

From a professor to a journalist, from a teacher at a university to a man of only a common-school education: the same anti-Ricardian and anti-Malthusian attitude was developed by J. Newton Cardozo, like Ricardo a descendant of Portuguese Jews, a mysterious figure in the history of American economics, even the first name of whom cannot be certainly ascertained. His *Notes on Political Economy*<sup>1</sup> won the approval of Thomas Cooper, who declared that "Mr. Cardozo of Charleston in his 'Notes on Political Economy' has shewn himself profoundly acquainted with the nicer questions belonging to this Science, and has entitled himself to be read by those who wish to peruse Malthus and Ricardo with full advantage."<sup>2</sup> Cardozo opposed Ricardo and his English as well as his American followers, and especially McVickar. The conviction of this economist — a newspaper man in Charleston — was that "if the principles of this theory (which are founded on circumstances completely contrasted to those that are peculiar to our own country) should be adopted as texts for lectures in our colleges and universities, it will greatly retard the progress of this important science among us."<sup>3</sup> This was one of the first cases of an outspoken "Americanism," of a refusal "to be implicitly guided by the results of investigations pursued by European writers into the sources of wealth without an examination of the circumstances on which their systems have been framed."<sup>4</sup>

The same emphasis on native environment, the same Americanism, we find in the writings of another Southerner, Nathaniel A. Ware, a lawyer, defender of protection, optimist, who wanted in each case to investigate "what is the real condition of things in reference to the proposition, not what did Adam Smith write or lay down."<sup>5</sup>

There were few exceptions to this general trend in the South. Probably the most important dissenter there was William Gregg, "the South's first great bourgeois, the forerunner of a new era,"

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1. Charleston, S. C., 1826.

2. *Lectures on the Elements of Political Economy*, Preface.

3. *Ibid.*

4. *Ibid.*

5. *Notes on Political Economy* (New York, 1844), p.4.



as his biographer calls him.<sup>1</sup> Gregg's *Essays on Domestic Industry*<sup>2</sup> was an appeal to create manufactures, and at the same time propaganda for his enterprises. But if Gregg did not agree with the economic doctrines of the South, he certainly adopted its feudal manners in his management of the plant and town of Granitville.<sup>3</sup> He presented a peculiar mixture of a Southerner and a Quaker, which in origin he actually was. In his economic notions Gregg was fairly near to the Pennsylvania group of economists. He was, like them, a self-made economist, studying life, not books. He insisted that national wealth does not consist in money but "in the mental and physical improvement of the people; the draining of swamps and bringing of waste lands into cultivation; resuscitating worn-out soil; increasing population; the construction of railroads, turnpikes, fine bridges, and all the facilities for internal communication; the increase and improvement of our cities, rearing new villages, and durable and comfortable dwelling-houses."<sup>4</sup>

He considered industry as the "foundation of all human happiness." "There can be no doubt that William Gregg knew Henry C. Carey of Philadelphia, and was familiar with his advocacies. Gregg's mother had come from Philadelphia, and he visited that city, both on business and with his family. He must have attended some of the weekly gatherings at Carey's house, where there was animated discussion of economic theory and policies. It is difficult to say whether Carey moulded Gregg's thought. It is certain that he contributed importantly to it. The similarity of the ideas of the two men is striking — the economic and social value of association, the necessity for a diversity of pursuits, particularly the linking of manufactures and agriculture, the deploring of soil exhaustion by export of staple crops, the virtue of the introduction of handicraft industries in small towns, elimination of useless middlemen, dislike of England's industrial domination, and the desirability of such

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1. Broadus Mitchell, *William Gregg, Factory Master of the Old South* (Chapel Hill, N. C., 1928), Foreword, p.ix.

2. Charleston, S. C., 1845.

3. I believe that Mitchell idealized Gregg in comparing him with Robert Owen (*op.cit.*, p.77).

4. *Ibid.*

great works as the draining of swamp areas appear in the arguments of both. Gregg's final avowal of protection may have been due to Carey's influence. There is evidence that Gregg was in turn useful to Carey, because he was in position to give practical demonstration of their principles."<sup>1</sup>

John C. Calhoun was the Southern counterpart of Daniel Webster. He acted as frankly for the plantation aristocracy as Webster did for the moneyed East. "Of his real purpose Calhoun made no concealment. 'My aim is fixed. It is no less than to turn back the government to where it commenced its operation in 1789; to obliterate all the intermediate measures originating in the peculiar principles and policy of the school to which I am opposed.' As for slavery, the foundation of the planting system, that was in the circumstances 'a good, a perfect good.' There was thus no doubt about the character of Calhoun's economic-political argument. It was precisely stated and diametrically opposed to that of Webster."<sup>2</sup>

The American South, prior to the Civil War, was thus outspokenly anti-classical in its thought, and presented a sharp opposition in this regard to the teachings dominant in New England. It concurred at this point with the romantic national school, but, as we have seen, with only a few exceptions insisted on free trade even when New England had already turned protectionist. The Southern standpoint is understandable when one considers the still important shipping interests of Charleston and the export trade of the cotton- and tobacco-producing states. In this way the South was opposed to the romantic national school.

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Henry Clay of the New West furnished a bridge between the state of mind of the South and that of the romantic national school. His political domain was the Ohio River Valley. He

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1. *Ibid.*, pp.19, 20.

2. Charles A. and Mary R. Beard, *The Rise of American Civilization* (New York), p.675.

wanted politically to combine the Eastern capitalists and the Western farmers. Clay was not a brilliantly educated man like Legaré, an idealist of John Taylor's type, or a great lawyer like Daniel Webster. He had no strong personal convictions, and fluctuated politically between Jeffersonianism and Hamiltonianism. He was a master of politics, full of the virgin spirit of the entrepreneur. He was the product of Kentucky, of the New West, of young, proud, optimistic, and buoyant Americanism. He was the link between the New West and the new money economy. His American System—an expression which originated in the tariff discussion of 1824—was economics of the period of formation of the nation. It was an economic counterpart to the Monroe Doctrine, the expression of the feeling and desire for isolation, with the purpose of building one's own house. It was based on old Hamiltonian doctrines, and presented a plan for overcoming the growing sectionalism. Its underlying idea, according to which ocean freight charges were to be avoided and home markets developed, was a natural consequence of this country's remote location in relation to the Old World. James Truslow Adams aptly emphasized Clay's intention to overcome sectional friction. Clay had a vision of a continental market "from Hudson to the Cape Horn," and asserted that "it is in our power to create a system of which we shall be the centre, and in which all South America will act with the United States."<sup>1</sup>

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Having voyaged in the melancholy lands of the New England classics, peopled by phantoms, and traveled through the plantations of the South, where cultured landlords long for a continuation of the patriarchal mode of life, we are brought by Henry Clay's American System of the New West into the center of activity and new thought of the first half of the nineteenth century. Leaving the camp of the adherents of the principle of conservation, we now join those of the principle of transformation. The

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1. See my *Struggle for South America* (Boston, 1931), pp.98, 99.

American System, which dominated the practical policy of the country for many years after it had been promulgated by Clay, sprang straight from the soil of America, but it was not born overnight. It received a theoretical foundation, was prepared by a chain of thinkers who felt that the indigenous conditions of this country could not be explained in terms of English classicism. These theoretical considerations of contemporary writers were adequate, and in tune with the aspirations and desires of unsophisticated souls of the growing middle class. This current of thought is sometimes labeled the "national school." We might well retain this designation, so as not to break with commonly accepted terminological tradition, but the appellation "economic romanticism" would be more satisfactory, since the nationalism of that period was only one of the features of romanticism. This was the American expression of the universal romantic movement of the period, and romanticism was strong in the realistic work of the frontier conquest. It was an attempt at the creation of economic Americanism, parallel perhaps to the famous plea of Channing for an independent American school of writers in his once-famous article on "A National Literature" (1823).

The romantic school in the United States had many features in common with the German one of the period, although there are no traces of a reception of its ideas or of its direct influence. Like Adam Müller (1779-1829), the Allah of romantic economics in Germany, the American school rejected the cosmopolitanism and atomism of the English classics. Raymond's conception of the nation as an organism and the consequences he drew from it would satisfy not only Adam Müller but even Othmar Spann, the head of the organic or universal school in modern economics. It is significant and symbolic that the Mahomet of German economic romanticism, Frederic List, found inspiration in America.

Sismondi was the first critic whom the classical school encountered in its march through Europe. He was preaching state intervention against competition, and his ideas found some interest and echo on American soil. People here began to feel that



the British Isles were not the alpha and omega of the civilized world. Nevertheless, it would be a short-sighted attempt to explain part of the anti-classical attitude in terms of political feeling, or as arising from serious misinterpretation of the classical writings.<sup>1</sup>

The American romantic national current found its source and inspiration not in imported literature and ideas, not in political sympathies and aversions, not in any a priori general philosophy, but in the peculiar native conditions and demands of the expanding and developing country.

Who were these representatives of the new American spirit? We seldom find among them dignified personages of the type characteristic of New England, with its ministers and professors. They are mostly free lances, seldom of academic standing; they had not studied at Oxford; in most cases they were laymen, the self-made economists so despised by Dunbar. (Thomas Cooper showed a better understanding in his statement that "in this country, Political Economy, and the theory of Politics, are of peculiar importance. Every well educated young man throughout the United States, considers himself as a Politician."<sup>2</sup> By occupation they were printers, booksellers, publishers, journalists, and seldom men of letters or academicians.

The strongest American nationalists among this group were the recent Irish and German immigrants of the Keystone State. Many of them had something of the mental attitude of the photographer. They resented the pessimism of the classics; they objected to Malthus's theory of population, the Ricardian theory of rent, the wage-fund theory. They were full of optimism, and called the abundance and progress of America to the witness stand in their indictment of the gloomy conclusions based on experience drawn from the first stage of industrial revolution in England. They hoped and strived for social harmony. It was a reaction against pessimism in economics, in line with revulsion

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1. As James E. Moffat attempted it. See his article entitled "Nationalism and Economic Theory," in *Journal of Political Economy* (August, 1909).

2. *Op. cit.*, Preface.

against Puritanic pessimism which started with the Unitarian manifesto of 1815.<sup>1</sup>

These men resented the general principles of the classics less than some of their minor aspects, but they protested strenuously against the practical consequence of the classical theory, basing their criticism not on its deductive logical character, but on the discrepancy between the English doctrines and the American facts. Almost all the representatives of the American national school emphasized in common the distinction and antagonism between public wealth and private riches, neglected by the classics but stressed by Lord Lauderdale, who apparently influenced some of the Americans of that period. They subscribed to Adam Smith's statement that "the great object of the political economy of every country is to increase the riches and power of that country,"<sup>2</sup> but insisted that "the riches and power" of the country are not identical with private riches and power.

Most of them — the more philosophically inclined, like Raymond and Rae, in a scholarly, logical way, and others *passim* — insisted on creation and not acquisition as the objective of economic activity, a distinction vividly reminding one of Thorstein Veblen's teachings in the twentieth century. They insisted on modification of the laissez-faire principle, in adjustment to American conditions.

"The struggle to subdue the wilderness with insufficient resources in both capital and men impeded the general acceptance of a policy of laissez faire, notwithstanding the individualistic tendencies bred by the frontier. Government aid was required not only for roads, but also for canals and other works of internal improvement. Industrial enterprises, which had been greatly expanded during the Napoleonic Wars, found new markets for their goods in the growing West. In order to hold the gains thus made against the recovery of European industry, the manufac-

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1. Woodbridge Riley, *American Thought from Puritanism to Pragmatism* (New York, 1923), p.149.

2. *Wealth of Nations*, book II, chap. V, p.297.

turers of the United States demanded the assistance of the protective tariff."<sup>1</sup>

The central idea of this trend of thought revolved around the cry for more production. The demand was consistently growing, the country developing, the frontier was moving, manufactures were being organized, but the hunger for capital and consumptive goods was not satisfied.

Tariff, banking, and currency problems were the main practical ones of the period. The American school protested against the doctrines of free trade, adopting the attitude that "Manchestertum ist die Lehre des wirtschaftlich Starken";<sup>2</sup> state initiative and protection were considered necessary for progress. It was the *defensive international program of industrial Americanism*. The American of the frontier, suffering from lack of capital, put on his program the cry for "cheap money" against the conservative theories of the classics and the moneyed classes of New England. This is a common feature of all new countries during the period of frontier movement. The thought behind the propaganda was that the continuous opening of new territories and their adjustment to money economy involved the necessity of a corresponding increase of circulation.<sup>3</sup>

The expression "school" must be taken *cum grano salis*. The national romantic rebels against the classics did not form a consistent group themselves, but were isolated individuals, working mostly without any mutual contact; only in Pennsylvania was there some kind of grouping, an association of kindred souls. The romantic national current, traditionally discarded or neglected by American economists, was, with all its shortcomings, a significant American phenomenon, an important chapter in the country's economic history as well as in the history of its thought.

The founder of this school was Daniel Raymond. Dunbar dismisses him with the remark that "Raymond (1820) brought to

1. William S. Carpenter, *The Development of American Political Thought* (Princeton, N. J., 1930), pp.114, 115.

2. Von Schulze-Gaevernitz, *Britischer Imperialismus und englischer Freihandel* (Leipzig, 1906), p.69.

3. I showed this in my *Brazil. A Study in Economic Types*. (Chapel Hill, N. C., 1935).

the discussion zeal and ingenuity, but such looseness of method and want of precision of ideas as to defeat his efforts and destroy the value of his work,—which, indeed, from its confusion of definition and want of system, seems a late growth of the generation of definition which preceded Smith, rather than one of that which followed him.”<sup>1</sup> Raymond, an unsuccessful lawyer, born in Connecticut, was not only the author of the first systematic American work in economics but, in his own words, was a pioneer in the shake off the domination of “foreign theories and systems of political economy”;<sup>2</sup> also he was one of the first links in the chain of attempts to forge the American System. Raymond considered his own writings important as an attempt to “crack the shell of political economy.”<sup>3</sup>

Raymond felt his own tragedy more than did his future critics and interpreters. In the preface to *The Elements of Political Economy* he remarked that “it would indeed be a wonder, if a book on my subject, written on the wrong side of the Atlantic, with the author’s name to it, should be favorably received by the public generally. Our independence is not yet sufficiently established for that.”<sup>4</sup> One can vividly imagine the development of Raymond’s critical and creative abilities and his eventual influence on the *right* side of the Atlantic at that period. He certainly would be a participant of Ricardo’s breakfasts, a member of the Political Economy Club, would have intellectual associations; his books would be read, his thoughts discussed. One can imagine Raymond in the British Parliament as a worthy counterpart or ally of David Ricardo. But Raymond was born in Connecticut, and the solitude and dullness of his law office in Baltimore were the only immediate causes of his interest in political economy.

Raymond emphasized that “our country presents the fairest theatre on earth for the acquisition of knowledge in the sciences of government and political economy. Here experiments may be made with safety. Here we can see the operation of the principles

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1. *Economic Science in America*, p.11.

2. *Thoughts on Political Economy* (Baltimore, 1820), Preface, p.vi.

3. *The Elements of Political Economy* (Baltimore, 1823), vol. II, p.393.

4. *Ibid.*, p.iii.



of nature in their utmost purity, and here is to be kept alive, that spirit of liberty and equality, which is yet to be diffused throughout the world, and is to warm and animate all the nations of the earth."<sup>1</sup> According to Raymond the nation was an organic unit, and he was opposed to individualistic theories. The proper field of political economy was to him the study of how to secure the greatest possible productivity of the nation through legislation. He was not interested in problems of individual distribution of income, and in two of the four editions of his work he omitted the discussion of rent, wages, profit, and interest. Value had little application to public wealth, according to Raymond. He was opposed to Malthus and Ricardo. He made a strict distinction between public and private wealth. The source of wealth was the earth; the cause of wealth was labor. He repeated in his work several times that "it is a law of nature that man shall eat bread in the sweat of his face."

This economist considered it as a "prevailing error with writers on political economy to adopt a partial, instead of a general system. Instead of considering the three great departments of industry as essential parts of one great whole, between which, therefore, no comparison can be instituted as to their relative importance in promoting national wealth, almost every writer has adopted a partial system, and become a partisan of one of the great branches of industry, which he maintains to be, either the sole, or the principal source of wealth. Hence, the origin of what are called the mercantile and agricultural systems. Of these systems, the mercantile is the most ancient."<sup>2</sup> Opposing the cosmopolitanism of the classics, Raymond favored protection in international relations and freedom of trade within the nation. Some of his statements sound contemporary even today: he emphasized, for instance, that "there must be a radical vice in the institution of a country in which improvements in the arts of labor-saving machines are unfavorable to the welfare of the people."<sup>3</sup>

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1. *Ibid.*, vol.II, pp.399, 400.

2. *Ibid.*, vol.I, p.369.

3. *Ibid.*, vol.II, p.307.

He expressed himself in the following words regarding the influence of wars on economy: "War often operates as a powerful stimulant to national industry, and thereby promotes national wealth. However repugnant this may be to the commonly received notions on this subject, yet there is scarcely a nation on earth, that has not during some period of its existence afforded an example in proof of the powerful efficacy of war in promoting national wealth, as well as national power. But fortunately for mankind, this is not the legitimate and ordinary effect of the war."<sup>1</sup>

There are in the literature some unsubstantiated attempts at disclosing the similarity of Raymond's ideas to Hamiltonian doctrines, and more justified expositions of his dependence on Lauderdale, but there are still more numerous suggestions presenting him as the forerunner, inspirer, or source of List and Carey. A scholarly investigator of Raymond's role in the history of economic theory, puzzled by the unusual number of coincidences between Raymond's thought and List's, undertook a comparison of passages and pages. He was not satisfied that List took his ideas bodily from Raymond, but suggested that he was "an unacknowledged debtor to Raymond, who anticipated List in the essential features of his system."<sup>2</sup>

It is difficult to appraise the degree of Raymond's influence on his contemporaries. He personally felt disappointed. But we know that Mathew Carey had the highest opinion of Raymond's

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1. *Ibid.*, p.91. The interrelation between wars and crises did not escape Raymond's attention: "All fluctuations are unfavourable to national wealth and happiness — the more permanent the demand for any articles the better. This is one cause of the present distress in England and this country. An unnatural demand has been occasioned by war, for the product of the labour of the two countries. Peace has interrupted the demand, and thousands of people are thrown out of employment in consequence of it." *Ibid.*, p.95.

2. Charles P. Neill, *Daniel Raymond. An Early Chapter in the History of Economic Theory in the United States* (Baltimore, 1897), pp.56, 57. A French scholar concurred in this opinion; see F. Lepelletier, "Un précurseur de List: Daniel Raymond," in *Revue d'Economie Politique* (Paris, 1900, nos.10, 11, p.843). Ed. Meuser defended the originality of List ("List oder Raymond?" in *Zeitschrift für die ges. Staatsw.*, vol.LXIX [1913]) against Kurt Köhler (*Prob-lematisches in Fr. List* [Leipzig, 1908]).

work, and offered to endow a chair of political economy at the University of Maryland on condition that Raymond be allowed to occupy it.

Two New Englanders deserve mention as forerunners of the romantic national school. Alexander Everett, a brother of Edward Everett, a lawyer and diplomat, was in his *New Ideas on Population*<sup>1</sup> anti-Malthusian and protectionist. In the *Manual of Political Economy*,<sup>2</sup> Willard Phillips, lawyer, editor of Benjamin Franklin's economic works, showed some of the tendencies of the period; he also was anti-Malthusian and anti-Ricardian, but pro-Smithian. Phillips conditioned the validity of general laws in economics, and emphasized that "no intimation is intended that the true economical principles of one country, are wholly different from those of another, but that many of them are of great importance in one and small importance in another, and that others again have a practical application in some places, and are totally inapplicable elsewhere."<sup>3</sup> He conceived the phenomenon of "national production" in distinction to private business.

Phillips stressed the role of demand and the domestic market in American economy. "The situation of the United States gives the country the control of an immense market of its own, which is now supplied by imports, but which we have in many respects the means of supplying from our own resources. But it would be as absurd to undertake to supply ourselves from domestic production with the whole amount of articles for the production of which we have internal resources, as it would be to neglect these resources entirely and look to foreign supply for a great part of the ordinary articles of necessity and convenience."<sup>4</sup> Hence his moderate protectionism: "The inference is very apparent, that it is wise policy and good economy in a community to supply itself from its own resources with an article of convenience, comfort, or necessity, though it should cost somewhat

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1. Boston, 1823.

2. Boston, 1828.

3. *Ibid.*, Preface, pp.v, vi.

4. *Ibid.*, p.221.

more to produce it for themselves, than to import it, in time of peace. Such has been the policy of France, England, and every other European country, as well as that of the United States."<sup>1</sup>

Phillips's writing was disapproved of by Dunbar, but the work of the diplomat Everett, who resided for many years in Europe and had personal contacts with some of the leading economists of the world, is placed by him "among the best of many attempts made in this direction."<sup>2</sup> Dunbar admitted Everett's dialectic skill but rejected his reasoning.

John Rae, almost as mysterious a figure in the North as Cardozo was in the South, belongs in this group. A Scotch emigrant to Canada and later to the United States, he had an unhappy and restless nature. Physician by education, a tireless traveler, as he explained in his preface, a sudden change in circumstances caused him to exchange "the literary leisure of Europe for the solitude and labors of the Canadian backwoods." For some unknown reason he visited Norway, and was a resident of Hawaii and the Sandwich Islands. Philosophy, medicine, physics, metaphysics formed the sphere of his interests. His manuscripts, often lost, were published by others. Thirty years after the publication of his main work, he learned that John Stuart Mill had noticed it; he apparently never knew that it was translated and published in 1856 in Ferrara's "Biblioteca dell' Economista." Rae's erudition was remarkable for his time. He knew the mercantilists and physiocrats, quoted Smith, Ricardo, Lauderdale, Malthus, Sismondi; he not only used English but consistently Italian and French literature; his acquaintance with Greek and Latin authors is admirable.

Rae's *Statement of Some New Principles on the Subject of Political Economy, Exposing the Fallacies of the System of Free Trade and of Some Other Doctrines maintained in the "Wealth of Nations"* was published in Boston in 1834, rediscovered, and rearranged and edited by C. W. Mixter in 1905 under the title *The Sociological Theory of Capital*. The editor considered Rae's

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1. *Ibid.*, p.189.

2. *Op.cit.*, pp.11, 12.



title a misnomer, "for the chief part of the undertaking consisted not in structures on the doctrines of Adam Smith, but in an independent, elaborate, and profound treatment of the general subject of capital. It is this last which has recently brought Rae into notice with the present generation of economists in connection with the world-wide discussion of capital, upon new and fruitful lines, inaugurated by Böhm-Bawerk."<sup>1</sup> It is a historical vulgarization to consider Rae's writings from the standpoint of Böhm-Bawerk. Rae has his place in the history of thought without his having to shine with the reflected glory of the Austrians.

More complicated and sometimes nebulous, Rae is related to the American romantics in many directions. He noticed the opposition to the classics in the United States. "The doctrines which Adam Smith maintained with so much ability, never took so deep hold in this country as in England, and they have been more strongly opposed. There is hence, a very considerable difference between the state of public sentiment in Great Britain and America, concerning the most interesting practical questions of political economy. This is especially the case with regard to the policy of the protective system."<sup>2</sup>

John Rae was an anti-Smithian. He spoke of his "conviction of the unsoundness of the system maintained in the *Wealth of Nations*." He insisted that "individual and national interests are not identical"; he made a distinction between acquisition and creation; he favored state intervention, especially listing the cases in which the power of legislators might be beneficial, and was, of course, protectionist; he gave special attention to inventions.

The romantic national school reached its blossoming and culmination in the teachings of the Pennsylvania economists. The feeling of frontier and factory penetrated more and more into American thought. The state of Pennsylvania became the fermenting center of this movement, giving birth to the nucleus of a school in American economics.

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1. Editor's preface, p.xv.

2. *Op. cit.*, Author's preface, p.ii.

- An English pamphleteer of the period applied to the Ricardian group the term "manufacturing economists." This term could be applied in the United States to the anti-Ricardian group, especially to the Pennsylvania section of it, the advocates of the American System.

Mathew Carey and Henry Carey, father and son, booksellers, editors, authors, and publishers—the father a layman who served Benjamin Franklin as a printer in Paris and was set up by Lafayette in Philadelphia, the son a self-made economist of broad erudition—were the most influential representatives of this group. The German Frederic List was the temporary link between the two generations of the House of Carey, which left its impression on the entire period prior to the Civil War.

Mathew Carey (1760-1839) was a propagandist and not a scholar. He aimed to arouse public opinion in favor of the protective system. He often dedicated his pamphlets to "representatives of the great manufacturing capitalists of the United States." It is useless to search for an abstract system in his opinions. He was rather a man of one idea. Mathew Carey was full of admiration for England's industrial superiority and influence, which he felt in his old fatherland—Ireland—as well as in the New World. He had the vision of a busy industrial America, independent of England, crossed by canals, turnpikes, and railroads. The way to this goal was, in his opinion, a strictly protective tariff. He favored state intervention in order to direct the economic society and lessen the material sufferings of the population.

Mathew Carey was probably the first worker in the field of economics to escape isolation. He founded the Philadelphia Society for the Promotion of National Industry in 1819; he was active in the Pennsylvania Society for the Promotion of Useful Manufactures, founded under a slightly different name in 1791 with the cooperation of Alexander Hamilton. (His admiration for Hamilton was so great that he used the pseudonym "Hamilton" for his *Essay in Protection*.)

We have mentioned his attempt to endow a chair for Raymond, whom he admired; Niles was his friend and a co-soldier in this campaign; List had been familiar with his writings as

they appeared in Niles's *Weekly Register*, to which he subscribed even before coming to America; he became acquainted later with Carey's various addresses at the Philadelphia Society, and concurred with him in his attack on Adam Smith as well as in his program of economic policy.<sup>1</sup>

Mathew Carey was one of the contemporary propagandists of a new economic policy insisting on the transformation of the *status quo*. To this group belonged Hezekiah Niles, a friend of Carey, a printer by profession, editor of the famous *Weekly Register*. Niles was not a deep or original thinker; he followed obediently in the steps of the romantic national movement. His entire thought on the subjects of wages and population was not as new as his biographer believes, but it was "optimistic, American and decidedly in contrast to the leading English economists. He believed that population and wages might both increase, and not that an increase in the former must necessarily be followed by a reduction in the rate of the latter."<sup>2</sup> Niles's opinions on population, wages and tariffs are practically identical with those of other National economists of that period, and he developed a limitless optimism regarding the results of the American System, which name he used after 1824. He predicted unbounded prosperity based on protective tariffs.

Niles had an influence on public opinion through his *Register*, where he propagated his ideas (even with the help of statistics); for twenty-five years after 1811 he tirelessly called the attention, weekly, of all sections of the country to the great current national problems.

The biographer of Niles is probably correct in assuming that "a large part of this early success of the *Register* may be attributed to the firm stand taken by the editor during the War of 1812. He preached American independence from the European governments, both in the military sense and for the sake of economic self-sufficiency. This latter was no new theory with Niles,

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1. See K. W. Rowe, *Mathew Carey. A Study in American Economic Development* (Baltimore, 1933), p.117.

2. R. G. Stone, *Hezekiah Niles as an Economist* (Baltimore, 1933), p.130.

but had been nurtured in him during the embargo and non-intercourse periods."<sup>1</sup>

Niles never mentioned the name of his great contemporary ally in the demand for protection — Frederic List. But List was well acquainted with Niles's writings.<sup>2</sup>

When he arrived in this country in 1825, Frederic List possessed the prestige and authority of a European professor, combined with his fame as a fighter for liberty against despotism, highly recommended to his American friends by Lafayette. He was a member of the legislature in Württemberg, publicist, and writer. List brought with him to the United States the knowledge and influence of contemporary German conditions. Germany as such did not exist at that time. Politically there were numerous sovereign states of different size, disunited also economically. The Industrial Revolution, in full swing already in England and France, was just beginning to touch the German states. This was economically a new and relatively backward country with a high degree of culture. It was a period of intellectual fermentation when the Young Germany made its appearance, and romanticism was strong. Germany was already striving toward economic and political union. Her industrialization was impossible without a large domestic market. List's best biographer, Margaret E. Hirst, correctly emphasized that "the economic and political situation in Germany during List's lifetime presented some obvious analogies with that of the United States during the first years of its separate existence. In both cases there were a number of distinct commercial and fiscal entities with more or less political independence. States, however, attained both commercial and political union at an early stage by the establishment of the federal constitution; while Germany had to build up her Zollverein by slow degrees, and did not gain full political unity until 1871. But just as the Napoleonic War had given an artificial stimulus to some German industries at the cost of the German consumer, so the continental blockades, Jefferson's Embargo of 1807, the Non-

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1. *Ibid.*, p.44.

2. *Ibid.*, p.70.



Intercourse Act of 1809, and the consequent war with England greatly hampered the international trade of the United States, raised prices, and gave an impulse to home manufactures, which were also aided by the withdrawal of capital from the hazards of shipping and commerce. In their subsequent development American manufactures progressed with the rapid growth of population as it spread over vast tracts of free land; whereas in Germany the movement for internal free trade long overshadowed the demand for protection against foreign competition."<sup>1</sup>

But at the same time the United States possessed an immense expanse of free land, which was absent in Germany. While both countries had in common a striving toward economic independence from England, "the United States acquired their political independence by separating from England, and by uniting with France — and in that way — only in that way — they can acquire their economical independence."<sup>2</sup>

Thus List entered in the United States into a partly familiar atmosphere. He was strengthened in his opinions by the success of the American economy and influenced by the abundance of space, resources, and energy. The idea of the tariff as a nursery grew upon him during his stay in America.

What were List's ideas? He presented them in a most eloquent form in his famous *Outlines of American Political Economy*, published in the form of letters to C. J. Ingersoll, at that time vice-president of the Philadelphia Society for the Encouragement of National Industry, of which Mathew Carey was president when List arrived. Even a superficial perusal of this work shows that List did not offer any new and original ideas. Raymond, Rae, Mathew Carey, Hezekiah Niles, all of them were strongly opposed to the doctrines of the English classics; all of them emphasized the national movement; all of them preached the distinction between public and private economy, favored interventionism, emphasized protection; all of them, like List himself, were more

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1. *Life of Friedrich List* (London, 1909), pp.109,110.

2. Friedrich List, *Outlines of American Political Economy* (Philadelphia, 1827), Appendix, p.13.

propagandists than scholars. But List presented these ideas in a brilliant form, with fanatical passion and the authority of a European professor. He wrote:

"Economy of individuals and economy of mankind, as treated by Adam Smith, teach by what means an individual creates, increases and consumes wealth in society with other individuals, and how the industry and wealth of mankind influence the industry and wealth of individuals. *National Economy* teaches by what means a certain nation, in her particular situation, may direct and regulate the economy of individuals, and restrict the economy of mankind, either to prevent foreign restrictions and foreign power, or to increase the productive powers within herself—or in other words: How to treat, in absence of a lawful state, within the whole globe of the earth, a world in itself, in order to grow in power and wealth to be one of the most powerful, wealthy and perfect nations of the earth, without restricting the economy of individuals and the economy of mankind more than the welfare of the people permits."<sup>1</sup>

It is not surprising that List eagerly took up the spread of his economic ideas, which he held in common with his Pennsylvania host, with whom he shared a hatred not only of English classics but even of President Cooper. Obviously the Pennsylvanians held in high esteem the German professor who declared in a speech that "America will make a system of political economy of her own, and for herself, and send the books of the founders of the pseudo-cosmopolitan system to the Westminster Abbey of the science, to take henceforth an honourable standing in its history by the side of Quesnay and his adherents, who, in their time, flourished too, brilliantly for a considerable time, but were at last dethroned by Mr. Smith and his disciples. This country is not likely to be duped out of its prosperity by empty names and barren systems."<sup>2</sup>

Some of the American economists of the romantic national school still hesitated to refute Adam Smith, while most energet-

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1. *Ibid.*, p.8.

2. Quoted by Hirst, *op.cit.*, p.276.

ically refuting the doctrines of his followers. List declared that "the fundamental errors of Adam Smith and Company have not yet been understood so clearly as they ought to be.

"It is this theory, which furnishes to the opponents of the American system the intellectual means of their opposition. It is the combination of the soi-disant theorists with those who believe themselves interested in the soi-disant free commerce, which gives so much seeming strength to the opposite party. Boasting of their imaginary superiority in science and knowledge, these disciples of Smith and Say are treating every defender of common sense like an empiric whose mental power and literary acquirements are not strong enough to conceive the sublime doctrine of their masters."<sup>1</sup>

"American national economy, according to the different conditions of the nations, is quite different from English national economy. English national economy, has for its object to manufacture for the whole world, to monopolize all manufacturing power, even at the expense of the lives of her citizens, to keep the world, and especially her own colonies, in a state of infancy and vassalage by political management as well as by the superiority of her capital, her skill and her navy. American economy has for its object to bring into harmony the three branches of industry, without which no national industry can attain perfection. It has for its object to supply its own wants, by its own materials and its own industry—to people an unsettled country—to attract foreign population, foreign capital and skill—to increase its power and its means of defence, in order to secure the independence and the future growth of the nation. It has for its object, lastly, to be free and independent, and powerful, and to let everyone else enjoy freedom, power and wealth as he pleases. English national economy is predominant; American national economy aspired only to become independent."<sup>2</sup>

Like other representatives of the current, List made a distinction between individual, cosmopolitan, and national economy,

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1. *Outlines*, p.5.

2. *Ibid.*, p.12.

and complained that the first two "treat, therefore, principally of the effects of the *exchange of matter* instead of *treating of productive power*."<sup>1</sup> He joined the American current with the opinion that "Government has not only the right, but it is its duty, to promote everything which may increase the wealth and power of the nation, if this object cannot be effected by individuals."<sup>2</sup> He was unreserved in his admiration for this country.

"The condition of this nation cannot be compared with the condition of any other nation. The same kind of government and structure of society were never seen before; nor such general and equal distribution of property, of instruction, of industry, of power and wealth; nor similar accomplishments in the gifts of nature, bestowing upon this people natural riches and advantages of the north, of the south, and of the temperate climates, all the advantages of vast sea shores and of an immense unsettled continent, and all the activity and vigour of youth and of freedom. There is no people, nor was there ever a people, doubling the number of their states in fifty years, excelling in such a degree of industry, skill and power, creating a navy in a few years, and completing, in a short time, improvements, which, in former times, would alone have distinguished a nation forever."<sup>3</sup>

I leave aside the problem of List's indebtedness to his American predecessors,<sup>4</sup> but he certainly does not deserve the original role assigned to him in the history of the United States by William Notz, who declared that "neben Alexander Hamilton, Matthew Carey und Hezekiah Niles ist List als einer der bedeutendsten handelspolitischen Schriftsteller des ersten Viertels des achtzehn-

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1. *Ibid.*, p.18.

2. *Ibid.*, p.10.

3. *Ibid.*, p.11.

4. See above. "It is difficult to avoid the conclusion that Hamilton, Raymond, and Carey had a strong positive, and Cooper a strong negative influence upon List's later work. His practice of only mentioning other economic writers to criticize them accounts for his silence regarding the three first named. Such a conclusion in no way affects List's leading merits. The arguments for which Raymond and Carey could only arouse a passing interest were clothed by List's eloquence with such an attraction that for sixty years they have been able to sway the policy of nations." Hirst, *op.cit.*, p.117.



ten [obviously should be "neunzehnten."] Jahrhunderts in der Geschichte der Vereinigten Staaten anzusehen."<sup>1</sup>

Of course a man of List's talent gave new expression, new suggestions, new brilliant form—but the wine was the old wine. He was influenced by his observations and experience in the United States, but he himself influenced Germany more than he did the United States, where his ideas were already in the air. Bruno Hildebrand, one of the founders of the German historical school, called Alexander Hamilton the predecessor of List and rather aptly emphasized that "was Hamilton für Amerika erstrebte, wollte List in den letzten acht Jahren für Deutschland erreichen."<sup>2</sup> His residence in the United States influenced and strengthened the formation of ideas of the future author of the *National System of Political Economy*, and the *Outlines* can be considered as the preliminary draft of this System. Especially in the problem of protection the Continental Blockade impressed List in Europe, the material success of the tariff impressed him in the United States.

"In America, also, List learned more completely how important better means of transportation were in order to strengthen the economic and political bonds of different states, and from here he went back to Germany to advocate the railway system as an agency to unify Germany. Here he saw, what he could not see so well in the old world with its ruts of custom, how new national unity and strength were to be won by the development of industrial wealth—and no less evident was it that this industrial wealth was dependent on the growth of economic interdependence and unity between the different parts of the federal union."<sup>3</sup>

In a beautiful paragraph in the *National System* List has himself confessed to this:

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1. "Friedrich List in America," in *Weltwirtschaftliches Archiv*, vol. XXI (1925), p. 288.

2. *Die Nationalökonomie der Gegenwart und Zukunft* (Frankfurt a.M., 1848), p. 58.

3. Sherwood, *op.cit.*, p. 16.

"When afterwards I visited the United States, I cast all books aside; they would only have tended to mislead me. The best work on political economy which one can read in that modern land is actual life. There one may see wilderness grow into rich and mighty states; and progress which requires centuries in Europe goes on there before one's eyes, viz. that from the condition of mere hunger to the rearing of cattle, from that to agriculture, and from the latter to manufactures and commerce. There one may see how rents increase by degrees from nothing to important revenues. There the simple peasant knows practically far better than the most acute savants of the Old World how agriculture and rents can be improved; he endeavours to attract manufactures and artificers to his vicinity. Nowhere so well as there can one learn the importance of means of transport, and their effect on the mental and material life of the people. The book of actual life I have earnestly and diligently studied, and compared with the results of my previous studies, experience and reflections."<sup>1</sup> He admitted: "Die stufenweise Entwicklung der Volksökonomie ist mir erst hier klar geworden."<sup>2</sup>

His role is confined to brilliance of form, eloquence of words, and to the European professorial stamp given to indigenuous theories. A man of passion and imagination, he found in the United States confirmation of some of his European ideas; he absorbed like a sponge new impressions and native teachings, and could visualize better than Americans themselves the future of this country.

"The whole American history of the next hundred years shall be contained in these three words, if you do note what Jefferson said — place the manufacturer by the side of the farmer. This is the only means of preventing population and capital from withdrawing to the west. Ohio will soon be as populous as Pennsylvania — Indiana as Ohio — Illinois as Indiana; then they pass over the Mississippi — next the Rocky Mountains — and at last turn their faces to China instead of England. Pennsylvania and

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1. *National System* (New York, 1904), Preface, p.54.

2. *Der Internationale Handel* (Stuttgart, 1842), Preface.

all the eastern and middle states can increase in population, in arts and sciences, civilization and wealth, and the Union can grow powerful only by fostering the manufacturing interest. This, sir, I think the true *American political economy*."<sup>1</sup> This passage contains the future history of the westward movement, just started at List's time.

Being in accord with the American romantic national school, List was on fighting terms with the German contemporary romantic school in economics headed by Adam Müller. Karl Knies said of the two men, "They are the forward and backward-looking faces of a Janus-bust; their opposition to Adam Smith is the line of connection between them."<sup>2</sup>

There were exceptions and dissensions even in Pennsylvania. Even at the climax of early protectionism, this state produced an able freetrader, Condé Ragnet,<sup>3</sup> who established in Philadelphia in 1829 his *Free Trade Advocate*. This periodical found a better reception in the South than in the North; its name was changed and its place of publication was moved from city to city, but Ragnet's fight against the American System and his defense of a limitless laissez faire were out of step with the times.

The romantic, nationalist, optimist, protectionist, anti-classic current found its synthesis and culmination in the works of Henry C. Carey. I cannot agree with a recent investigator who places Carey in the company of literary pioneers who "expressed a virile reaction to the contemporary economic environment."<sup>4</sup> He represents rather the concluding chapter of this current. Carey did not possess the depth, sharp legal logic, and originality of independent thought of Raymond; he moved rather in already accepted ways of the nationalist writers of his period; but he summarized them in a system, even if a confused and disorderly one. At the same

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1. *Outlines*, etc., p.24.

2. *Die Politische Oekonomie vom Standpunkte der geschichtlichen Methode* (Braunschweig, 1853), p.194.

3. See a few notes on this economist in M. R. Eiselen, *The Rise of Pennsylvania Protectionism* (Philadelphia, 1932).

4. A. D. Kaplan, *Henry Charles Carey. A Study in American Economic Thought* (Baltimore, 1931), p.27.

time he sharpened the theoretical controversy with the classics and applied unlimited passion to propagandizing the practical consequences of his system. I disagree with Teilhac, who believes that the reaction against the classics tends to weaken with Carey.<sup>1</sup> The latter was strongly influenced by the conditions and aspirations of Pennsylvania, but his background and aspect were outspokenly urban, industrial, and national, not justifying the label of a Pennsylvanian rather than a national economist given him by Cliffe-Leslie.<sup>2</sup> Carey did not suffer from narrow provincialism.

His writings were voluminous, in spite of the fact that his first publication was not issued until 1835, when he was forty-two years of age. "Thirteen octavo volumes and three thousand pages of pamphlets remain as the fruit of his activity, besides an amount of matter, supposed to be twice as great, contributed by him to the newspaper press," is Dunbar's estimate.<sup>3</sup> He published 57 pamphlets on current problems.

Carey's *Essay on the Rate of Wages*, published in 1835, was followed by *The Harmony of Nature*, in 1836 (withdrawn by him from circulation), *The Principles of Political Economy*, in 1837-40, the *Past, Present and Future*, in 1848, *The Harmony of Interests*, in 1852, the *Principles of Social Sciences*, in 1858-59 (abbreviated in the *Manual of Social Sciences*, in 1864) and the *Unity of Law*, in 1872, to mention only his major works. His *Principles of Social Sciences* was the publication which awakened a strong European interest in the American System. It contained practically his entire social philosophy.

Carey used a mixture of methods in his reasoning. Philosophical discussions and sociological aspects were interchanged with statistical calculations and historical illustrations. His horizon was broad and his perspective was wide, his breadth reminding one sometimes of Adam Smith. The last epigon of the school thus described Carey's method: "His method consists in taking a mass of heterogeneous illustrations from every clime and

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1. *Op.cit.*

2. *Op.cit.*

3. Article on Carey in *Palgrave's Dictionary*.



age, and aggregating them together to prove preconceived doctrines. He has no hesitation in traversing the world from America to India, or history from the present day back to Adam, to pick out illustrations that seem to enforce his doctrine. This is historical sociology in its crudest form, but, at the same time, it was very effective, for it served as a basis for the protectionist doctrines then developing."<sup>1</sup>

Carey believed in world harmony and took as a motto for the authorized German translation of his *Principles of Social Sciences* Kepler's dictum, "The world edifice is a harmonious whole." The optimism of the romantic school, strengthened by the achievements of American economy, culminated in Carey's teachings. His ideas of harmony consisted of emphasis on the necessity of parallel cooperation and the complementary development of diversified agriculture, commerce, and industry, and of an almost religious belief that this development would lead to social peace. Hamilton's argument as to the social advantages of a diversified industry found further interpretation in the hands of Carey. He lays weight, as does List, upon the civilizing influence of manufactures and commerce. He holds that America would be a stupid, uninteresting, and barbarous country if all Americans devoted themselves to agriculture; and agriculture itself would be in a poor way, as the products of the land would then find no convenient market.

It is not correct to classify Carey as a limited mercantilist, as his German contemporary, Adolf Held, did in defense of the English school.<sup>2</sup> Free trader, and follower of laissez-faire in his

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1. Simon N. Patten, *The Reconstruction of Economic Thought* (Philadelphia, 1912), p.32.

2. "Carey's neue Lehre ist nämlich grossentheils nur ein etwas beschnittenes Merkantilssystem. Das Streben nach industrieller und commercieller Uebermacht über andere Nationen ist allerdings äusserlich weggefallen und wird sogar wie jeder Monopolgeist eifrig bekämpft. Aber es war dies schon bei manchen von den alten Merkantilisten mehr auf die industrielle Selbständigkeit reduziert worden, und nichts Anderes als letztere ist Carey's lokale Attraktion, sein Beisammenwohnen des Ackerbauers und Handwerkers: zugleich ist ein gewisser eifersüchtiger Neid auf das mächtige England nicht zu verkennen, obwohl seine Macht nicht als Glück sondern als Blendwerk geschildert wird, ähnlich wie ihr schon Genovesi den Untergang prophezeit. Merkantilistisch sind ferner bei Carey

first work, he concentrated his attack against Senior's wage theory and opposed Malthus. In his *Principles of Political Economy* he is outspokenly against the "British school" as such, and in his *Principles of Social Sciences* he summarized his "discoveries" and his "System." *The Harmony of Interests* is Carey's most statistical work, in which he presented a study of the results of protectionism in the United States, and considered a protective tariff as the best way to abolish legal and actual slavery.

Carey's fight against the classics was concentrated, in the tradition of the romantic current, on Malthus and Ricardo. He approved of and admired Adam Smith. The hatred of English pessimists is comprehensible on the part of the American optimistic believer in social harmony. J. W. Jenks emphasized that "in allen grösseren Werken Careys findet man Malthus und Ricardo oft genannt und häufig mit einem Hass, einer Verachtung, als ob sie Verbrecher oder Gottesleugner wären."<sup>1</sup> Carey insists that "the system of Ricardo is a system of discord . . . it creates hostility between classes—his book is a manual for demagogues who seek to gain power by the distribution of the soil, by war and by pillage."<sup>2</sup>

The evidence for his theories and philosophy Carey drew from American conditions. The classics—"the British school," as he called it—were the negative source of his inspiration. He was anti-French (his priority fight with Bastiat is too well known to require discussion). But the "Principle of Association" which he propagated was in tune with the world waves of Saint-Simonism. Generally speaking, Carey was more appreciative of German currents, and predicted German economic leadership. But despite

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die Schutzzölle als Mittel zur Erreichung eines blühenden Zustands und der Hinweis auf die Nothwendigkeit von Regierungsmassregeln statt des reinen *laissez faire et passer*. Endlich entspricht die Ueberschätzung der Nachfrage ganz derjenigen Entwicklung, welche das Merkantilssystem zuletzt genommen hatte.

"Hätte Carey seine Ideen consequent bis zum Aeussersten durchgeführt, so wäre er zu etwas Aehnlichem gekommen, wie Fichte mit seinem geschlossenen Staat." *Carey's Socialwissenschaft und das Merkantilssystem* (Würzburg, 1866), p.163.

1. *Henry C. Carey als Nationalökonom* (Jena, 1885), p.104.


2. *Past, Present and Future* (Philadelphia, 1848), p.74.

anti-  
pessimism

a similarity of views, Carey did not owe his inspiration to List, although he was acquainted with his writings and quoted them.

Carey became a patriarch by virtue of his age (he lived from 1793 to 1879) as well as of his influence. He furnished the organizing element in American economics. The famous "Carey's Vespers" were as important in the discussion and development of the American thought of his period as were "Ricardo's Breakfasts" in England, but they did not develop on American soil into a counterpart of the historic Political Economy Club in London. Dunbar predicted that "not much of Mr. Carey's work, we are confident, will be found wrought into the political economy of the future."<sup>1</sup> But if ever there was an American school of economics, Carey was its head.

His main influence was on economic policy and legislation. A free trader in his first publication, he became the most distinguished and tireless advocate of protectionism. He collaborated with Horace Greeley, and for almost a decade he was the virtual editor of the *Tribune* in all matters regarding the tariff; also, American manufacturers owe a heavy debt to Henry Carey. His idealism attracted such contrasting figures as Wendell Phillips and Peter Cooper.



Less extensive but not less passionate was Carey's fight against orthodox money doctrines. In keeping with the frontier spirit, and in accord with the interests of manufacturers in need of financial support, he extended his war against the English classics to English banking and currency doctrines and traditions. He insisted that the principles of Lombard Street did not answer the needs of the United States. He considered the Bank of England a wrong and false system, and preached free banking and paper money. Carey's influence can be traced in the greenback propaganda of 1878, the "Silver Bill," etc. It is not surprising that the American followers of English classics bitterly opposed Carey.

Carey visited Europe three times — in 1825, 1857, and 1859; he participated in economic conferences, and had personal contacts with John Stuart Mill, Humboldt, Cavour, Liebig, Ferrara,

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1. *Op.cit.*, p.15.

Chevalier, Eugen Dühring, Max Wirth, Schultze-Delitzsch, and many others. He corresponded regularly with an unusually large number of prominent contemporaries. His books were translated into nearly every important language, were quoted by Mill, influenced Bastiat and his school, Baudrillart, and Passy, and were published by Ferrara.

The Germans repaid with enthusiasm Carey's pro-German feelings. Wilhelm Roscher and Karl Knies mentioned him; Held dedicated a special study to him; Lange investigated his social tendencies, and so on; but Carey found his fighting knight in the person of Eugen Dühring, who called him "a ferment of the strongest kind."

"Sein System," he wrote, "welches die originellste Erscheinung seit Adam Smith's grosser Leistung ist, darf nicht mehr bloss als einseitige Volkswirtschaftslehre betrachtet werden. Es ist eben eine Socialwissenschaft und zwar in der strengsten Form, also sehr weit davon entfernt, den träumerischen Conceptionen der Socialisten irgendwie zu huldigen. Dagegen ist es von jenen menschenfreundlichen Instinkten getragen, deren Bedeutung wir in jeder grossen socialen Propaganda anerkennen, und die wir selbst in den am meisten chimärischen Ausgeburten des noch träumenden Socialismus ehren müssen."<sup>1</sup>

Gustav Schmoller himself devoted several pages to Henry Carey in his review of Jenks's book on him. His verdict was: "Er ist offenbar ein Mann von seltener Begabung, aber ohne Schule, ohne Bildung, ohne Zucht und Ordnung der Gedanken."<sup>2</sup>

Carey's ideas were a case of the export of American economic thought on a large scale. Most of the representatives of the American romantic national school have never been in debt to Europe, but Carey was Europe's creditor. He was not only an organizing element in the development of American economic thought; he was the only one who could pretend to have formed a kind of school; up to the eighties of the nineteenth century its

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1. Carey's *Umwälzung der Volkswirtschaftslehre und Socialwissenschaft* (München, 1865), Vorrede, p.viii.

2. *Op.cit.*, p.110.



influence is clearly noticeable. In Pennsylvania, E. Peshine Smith<sup>1</sup> blindly followed his master, and endeavored to construct a truly American system of political economy; to this group belonged Charles Nordhoff, Stephen Colwell, who edited the translation of List's *National System*,<sup>2</sup> William Ellis Thompson, and several others.

Carey's school had some repercussions even in the North, where Calvin Colton, in his *Public Economy for the United States*, endeavored "to construct a system of economy for this country, and to show wherein the principles of European economists are entirely inapplicable here."<sup>3</sup> He emphasized the relativist standpoint: "The first we would notice is our definition of the subject: *Public economy is the application of knowledge derived from experience to a given position, to given interests and to given institutions of an independent state or nation, for the increase of public and private wealth.*"<sup>4</sup> From his standpoint, "the doctrine of Free Trade had taken up the position, and asserted the prerogatives, of uniform propositions in all places, and in all time; from the deductions of which, conceding the claim, there was no appeal. But its claim to be ranked among the sciences was a stolen shield."<sup>5</sup>

Colton considered protection not as "restriction, but emancipation,"<sup>6</sup> an "American protective system, a rescue from foreign taxation."<sup>7</sup> Typical of New England is the theological element in his opinions. "The government of the institutions of the United States, as we have seen, started into being on the basis of the protective policy — were begotten by it. This policy was the native genius of the people; it was the natural growth of their position, of their struggles, and of their original and subsequent relations.

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1. *Manual of Political Economy* (Philadelphia, 1853); later translated into French.

2. Philadelphia, 1856.

3. New York, 1856, p.18.

4. *Ibid.*, pp.26, 27. (Italics his.)

5. *Ibid.*, p.17.

6. *Ibid.*, p.180.

7. *Ibid.*, p.381.

It was a necessity imposed upon them by Providence, from which they could not escape with impunity."<sup>1</sup>

Francis Bowen of Harvard University called his treatise *American Political Economy*.<sup>2</sup> He repeated Colton's theoretical relativism and approval of protectionist policy.

"The situation of the United States is so peculiar, that arguments drawn from European experience for the guidance of American legislation are apt to be wholly fallacious and unsound. We can more profitably go for a lesson to the other side of the habitable globe; I mean to British India. There we find a deficiency of capital, an abundance of fertile territory, a consequent surplus of agricultural produce, and a lack of that skill in manufacture which can only be gained by long experience under a strict Protective policy, such as England has enjoyed for nearly two centuries; all these circumstances strongly reminding us of the corresponding features in our own condition."<sup>3</sup>

Bowen was opposed to the "entire science of English Political Economy, as well as to its three leading theories: that of Adam Smith concerning Free Trade, that of Malthus in regard to Population, and that of Ricardo in regard to Rent. They are intimately connected with each other; and a full appreciation of the mixture of truth and falsehood which they contain would tend to clear the science of its local English character, and to fit it for universal acceptance and utility."<sup>4</sup> Conditions in America were different — and typically of the romantic national current he declared that "here in America, we need an American Political Economy, the principles of the science being adapted to what is special in our physical condition, social institution, and industrial pursuits."<sup>5</sup> Bowen, too, developed a strong theological element so familiar to New England economists. He declared that "Society is a complex

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1. *Ibid.*, p.40.

2. New York, 1856; I have used the 1870 edition.

3. *Ibid.*, p.488.

4. *Ibid.*, p.152.

5. *Ibid.*, Preface, pp.iv, v.

and delicate machine, the real Author and Governor of which is divine."<sup>1</sup>

Bowen followed the romantic national school in money problems. It happened that this fact caused Dunbar's appointment at Harvard, as Bowen set forth "views of his own which were not welcome to the personages then most influential in Harvard affairs."<sup>2</sup>

But all the followers of the romantic national school, in Pennsylvania as well as in New England, lacked the swing, sincerity, and passion for broad generalization of Henry C. Carey. This current suffered a decline after him; in practical application it lost its importance, as it was no longer necessary to preach industrialism and protection. The main ideas of the manufacturing and the frontiersman economists became the commonplace of economic policy. Their transformational ideas became generally accepted and dominating.

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1. *Ibid.*, pp.18, 19.

2. "It was the very association of Political Economy (as it was then still called) with the wider subject that probably had something to do with Dunbar's appointment and with the complete change of front which it signified. In previous years the subject had been taught in the College of Professor Francis Bowen (A.B. 1833), a scholar of high ability and an effective teacher of the old-fashioned kind. His book on American Political Economy, now forgotten, was in its day no mean intellectual performance. An independent and somewhat obstinate person, he set forth unflinchingly views of his own which were not welcome to the personages then most influential in Harvard affairs. This was the greenback period, when the contest was keen between the hard-money men and the soft-money men. Bowen, while conservative in most matters, allied himself with the soft-money men to the extent of advocating the payment of the national debt, not at par in gold, but at a considerable discount from par; a proposal that seemed scandalous to the orthodox. Dunbar had for many years been editor of the Boston Daily Advertiser, and as such had handled the monetary question with the sagacity and judgment, and also the tinge of conservatism which marked his subsequent academic career. Bowen could not be got rid of; but the appointment of Dunbar served the purpose of putting the teaching of political economy into the hands that were deemed safe." F. W. Taussig, "Economics, 1871-1929," in *The Development of Harvard University*, Samuel Eliot Morison, editor (Cambridge, Mass., 1930), pp.187, 188.

The romantic national school was the most powerful but not the only current in favor of transformation of the existing economic society. There were other sources of opposition to the adherents of the *status quo*, reflecting the conservative and pessimist teachings of the classics and professing belief in the American dream. The New England transcendentalists, the pioneers of socialism and the utopian dreams of the common man, represented different aspects of dissent, of protest against the principle of conservation.

An economist should not exaggerate the influence of transcendentalism in the development of American economic thought. Parrington, usually sober in his judgment, overestimated its role in the brilliant pages he devoted to this movement.

"The New England renaissance," he wrote, "was tardy in appearing and of brief duration, yet in the few years of its extraordinary vigor it imparted a stimulus to American life that its historians have not greatly exaggerated. We are now far enough from it to see that it was the last flowering of a tree that was dying at the roots, but in the tumultous [eighteen] thirties it seemed to be a new birth of the native New England mind, opening on new worlds and great adventures. Though its prophecies might be little heeded at its own fireside, and unheard in the vast stretches of the West where men were clearing and building after quite different plans than the Concord architects were drawing, its significance in the development of American idealism—the ethical imprint it stamped on American culture—endured long after it had spent its force. It was the last and in certain aspects the most brilliant of the several attempts to domesticate in America the romantic thought of revolutionary Europe; and with its passing, civilization in this western world fell into the hands of another breed of men to fashion as they saw fit."<sup>1</sup>

"In rejecting their fathers' hell they [the transcendentalists] became the most zealous to make a heaven of this world; and although the more practical Yankee was skeptical of their plans and would not suffer them to turn Boston into a transcendental

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1. V. L. Parrington, *op.cit.*, vol.II, p.271.



Utopia, they succeeded in making such a stir as New England had never before known. For a brief time, at least, liberal ideas found a welcome in homes where they had hitherto been strangers; for a brief time the intellectual and not the merchant dominated New England."<sup>1</sup>

We must look back at this period. The Brahmins were in power. State Street dominated financially, the Back Bay socially, Cambridge intellectually. The front remained unchanged. But on the outskirts of Boston—in Concord, in Roxbury—the searching attempts were strong. Nearly all the transcendentalists were clergymen, of the Unitarian school, not philosophers by profession. Transcendentalism was economically not a movement but an intellectual game; it was not an outburst of romanticism but an expression of ethical sentimentalism in line with the historically inherited idealism of the Puritans. German *Sehnsucht*—or even that most untranslatable Portuguese word *saudade*—was more characteristic of it than *Sturm und Drang*. The German influence was more of Tieck and Novalis than of Goethe, in spite of Emerson's statement, when he spoke later in life of the intellectual revival of New England, that "Goethe was the cow from whom their milk was drawn." Even Emerson, the most realistic of the group, had in himself a kind of blend of Tolstoy and Ruskin.

The transformational ideas of this current were more of escape than of action—escape between library walls, escape in the solitude of Walden, escape in Brook Farm. The transcendentalists joined the rest of the country in its rampant optimism of the eighteen-thirties, but their optimism was abstract and disembodied. They were not in step with their age in their refusal to glorify industrial progress, in their back-to-the-land ideas, in the left-overs of Rousseauism so clearly felt in their lives and writings. Emerson, for instance, outspokenly preferred an agrarian society, and declared that "a man should have a farm or mechanical craft for his culture." Some of the transcendentalists were severe critics of the growing industrialism, critics in theory and critics in experiment.

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1. *Ibid.*, p.274.

Thoreau, with his eighteenth-century philosophy of individualism, deplored the growth of the textile industry in New England, with its multiplying spindles and increasing proletariat, and he resented a system that provided vulgar leisure for the masters at the price of serfdom for the workers. Even after the introduction of the Fourier Phalanx, Brook Farm kept its sentimental, anti-industrial character, and with the exception of William H. Channing and possibly Ripley, was not socialist. Parrington is correct in his definition of *Walden* as "the handbook of an economy that endeavors to refute Adam Smith and transform the round of daily life into something nobler than a mean gospel of plus and minus."<sup>1</sup> Thoreau in his *Walden* insisted that "to act collectively is according to the spirit of our institutions."

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Brook Farm was the bridge leading into the domain of American utopian communities. As an attempt to escape from reality and an experiment with the transformation of economic life it was not an isolated case. It was in line and in tune with the numerous experiments on American soil starting with the well-known religious communities.

The common feature of all American utopian communities — communist, socialist, anarchist, or cooperative — was the fear of the present and anticipation of the future horrors of the invading industrialization. Some of them accepted its technological aspects; others harked back to the land, to the primitive forms of life; but all of them represented isolated attempts of a sentimental ethical coloring, often with a strong theological flavor. Even to the most practically inclined communities organized under Robert Owen's influence these features were not strange.

There were in the nineteenth century in the United States several hundred communities, with hundreds of thousands of members, and some of them still exist (mostly the more or less successful religious sectarian ones). If we omit the purely re-

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1. *Op.cit.*, vol.II, p.400.

ligious communities, we can say that the first half of that century was the period of the formation of collectivist communities in the United States.<sup>1</sup>

They were mostly of foreign origin, consisting of heterogeneous crowds, meeting hardships and short-lived. The United States, an experiment in itself, a protest against the *ancien régime* and the Old World, was certainly a fertile ground for these experiments. Their ideology was imported from Europe; their practical application was tried out on American soil.

The period 1825-1830 saw the Owenite communities. The period of discontent of the thirties and forties, especially after 1837, was one of passionate philosophizing, especially favorable for the Fourier and Icarian experiments. The subjective moment was created by the flood of immigration from Europe of political victims suffering from a series of revolutions. The three decades before the Civil War saw the rise and fall of "applied utopianism," as Noyes called it, attempts to realize on the continent of cheap land the ideas of Cabet, Fourier, and others. Indiana, Ohio, Tennessee were the playground of Owen's communities; Wisconsin and Tennessee of Fourierism; Texas of the Icarians. This movement sprang from various sources, assuming in time a variety of forms and being guided by different ideals, but drawing constantly on theories of European origin.

Owen's ideas of cooperative organization were premature for the United States, with its vast spaces and just beginning frontier movement and its scarcity of labor. The Fourierist and Icarian attempts were even less fortunate. The unlimited possibilities were responsible for the fact that the actual American utopia at that time lay in industrialism, a frontier movement, and a capitalist form of economic life. The true Yankee Brook Farm and

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1. Their history has been described many times. See J. H. Noyes, *History of American Socialism* (Philadelphia, 1870); W. A. Hinds, *American Communities* (Oneida, N. Y., 1878); Charles Gide, *Communities and Cooperative Colonies*, translation from the French (New York); Charles Nordhoff, *The Communistic Societies of the United States* (New York, 1875). But the topic still awaits a patient investigator offering us a definite study of these interesting experiments.

Walden revolts, with all their idealist sentimentalism protesting against growing industrialism and its attempts at escape, were no more successful, but remained a cherished New England possession, after being ridiculed at the time of their activity.

Except for Brook Farm, the ideological background of the experiments in transformation did not flower into a strong movement at that time in the United States. Besides Albert Brisbane, Park Godwin, and Horace Greeley, it had no important representatives. Just as the English classics were aped and their ideas were repeated by their American followers, the American socialists and utopians of the first half of the nineteenth century copied their European inspirers.

Charles Sotheran endeavored to discover the indigenous sources of American socialism. He referred to the Indian aborigine; he exaggerated the importance of Thomas Skidmore,<sup>1</sup> whose teachings, considered by him "pure and simple" American socialism, were formulated and published in New York City by an American when Karl Marx was eleven years old and Ferdinand Lasalle was a child of four;<sup>2</sup> Sotheran held that "upon the fundamental principles of that early American socialism, Horace Greeley, Albert Brisbane, Park Godwin, George Ripley, and the Fourierist socialists stood later, all of whom demanded of society the cure of its economic errors and insisted upon the abolition of chattel slavery and of wages slavery";<sup>3</sup> he emphasized that "Socialism, so far from being a comparatively recent foreign importation to this country — as fallaciously and popularly believed — is really less European in origin than it is American in evolutionary development."<sup>4</sup>

The ground was not yet ready for American socialism. As we shall see later, the peculiar features of American development retarded socialist movements and ideas in this country, and these retarding elements were alive during almost the entire nineteenth century.

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1. *The Rights of Man to Property* (New York, 1820).

2. Sotheran, *op.cit.*, p.102.

3. *Ibid.*, p.102.

4. *Ibid.*, p.viii.



The only American socialist of importance was Albert Brisbane. First Saint-Simonist, later Fourierist, he studied in Paris and Berlin, and was a frequent visitor to the famous Frau Varnhagen von Ense's Salon in Berlin. The depression following the destruction of the Bank of the United States left speculators with huge tracts of land; shoals of unemployed craftsmen in the cities were dreaming of rural delights and recalling the fallacy that on the land one never hungers. This combination made Brisbane's propaganda spread. His main work was the exposition of Fourier's teachings under the title *Social Destiny of Man, or Association and Reorganization of Industry*.<sup>1</sup>

Albert Brisbane came forward with his Americanization of Charles Fourier's scheme of social reorganization. Brook Farm welcomed it and tried it. Horace Greeley became one of its most passionate adherents, and became a director of the North American Phalanx and president of the national society of "Associationists," their most valuable propagandist and speaker. Greeley's biographer, James Parton, stated that "at a rough calculation, he has written and published, during his editorial career, matter enough to fill one hundred and fifty volumes like this; and his writings, whatever other merit they possess or lack, have the peculiarity of being *readable*, and they are *read*. He has, moreover, addressed a larger number of persons than any other editor or man."<sup>2</sup>

Horace Greeley, the American Don Quixote of that period, formed the liaison between utopian socialist dreamers and realist politicians. Typically American externally, widely popularized all over the country in innumerable caricatures, he presented an amazing mixture and confusion of ideas, combined with a passionate devotion to propaganda and zeal for immediate application. He declared himself socialist, Fourierist, offered Brisbane a weekly column in the *Tribune* on utopian socialism; he published Brisbane's magazine called *The Future*, devoted to the explanation of

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1. Philadelphia, 1840.

2. *The Life of Horace Greeley* (New York, 1858), p.421.

Fourier's plans, was friendly with Margaret Russell. Karl Marx was the principal European correspondent of the *Tribune*, but Henry C. Carey was its authority and contributor on current problems of American economic life. Greeley dedicated his *Essays Designated to Elucidate the Science of Political Economy*<sup>1</sup> "To the Memory of Henry Clay."

Greeley's socialism — theoretical and practical — was of an idealist, sentimental, and ethical type, combined with a passionate propaganda which he applied to his rather unbalanced and changeable ideas. According to Sotheran he was a Christian socialist, labor-socialist, farmer-socialist, state socialist. His main feature was intellectual curiosity. But in his opinions on current economic policy, Greeley was in accord with the romantic national school, although his argumentation was often different. He considered laissez faire a "suicidal policy." He preferred to draw illustrations "from our National history, mainly from that part of it whereof there are many living witnesses."<sup>2</sup> He was strongly in favor of protection as a measure to increase wages, answering the demands of the labor movement of his period, and preached that agriculture and manufacturing are complementary and that government must foster the "infant industries." "Protection is the shortest way to get free trade."<sup>3</sup>

Greeley's agrarian background ("we Vermonters," he said) influenced his cheap money propaganda and his advocacy of the Homestead Law as a means of granting all an equal share of the soil. This was his reaction to the agrarian movement of his time. Greeley threw himself with enthusiasm into the great agrarian movement of the forties and fifties — the movement to democratize the national land policy that resulted in the Homestead Act of 1862. Greeley was the child and product of his time. He not only advised others, "Go West, young man," but eventually joined them on their journey.

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1. Boston, 1870.

2. *Op.cit.*, Preface, p.ix.

3. *Tribune*, January 23, 1851.

Politically, Greeley and his *Tribune* were strong influences in the organization of the new Republican Party. They gave an idealist turn to many of its principles, and brought the party the support of some sections of the working class. It was the time when Whittier wrote the party's campaign songs and Lowell translated its doctrines into poetry.

It is one of the numerous contradictions and ironies of Greeley's activity that, a Jeffersonian in spirit, socialist by self-determination, adherent of the romantic national school in his economic policy, he supplied the ideology of the first beginnings of the G.O.P.

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Our review of the main currents of American economic thought prior to the Civil War shows that the main principles of conservation represented on American soil by the erudite followers of the English classics found strong opposition here. But while classicism was uniform, the idea of transformation was presented by different currents and had various colorings, schemes, aspects. Men of the people, self-made economists, sentimental idealists, intellectual dissenters, manufacturers and frontiersmen, laborers, and farmers, from different angles and with distinct aspirations and desires, were combatting the adherents of the principle of conservation. The uncivilized frontier acquired a native originality of its own, while the cultured seacoast remained imitative. The opposition was especially strong in the Middle States and the West. The battle was won in the Civil War, when a united industrial America was created.

7.

## INDUSTRIAL AMERICA

THE modern economic history of the United States begins in the post-Civil War era, with the economic revolution of the third quarter of the nineteenth century. In the first half of the century, "two diverse worlds lay on the map of continental America. Facing in opposite directions and holding different faiths, they would not travel together easily or take comfort from the yoke that joined them. Agricultural America, behind which lay two and a half centuries of experience, was a decentralized world, democratic, individualistic, suspicious; industrial America, behind which lay only a half a dozen decades of bustling experiment, was a centralizing world, capitalistic, feudal, ambitious. The one was a decaying order, the other a rising, and between them would be friction till one or the other had become master."<sup>1</sup> The Civil War brought the decision. In 1860, for the first time in American history, the output of factory, mill, shop, and mine exceeded in value that of the farm. In 1882 the United States imported several hundred thousand tons of steel rails annually; within ten years it exported fifteen thousand tons.

The new, abundant prosperity "rested upon an expansion of transportation facilities such as the country had never before experienced. The fifties saw the emerging outlines of a genuinely national system of transportation and communication. Crude as the efforts may seem to a later generation, they prefigured the miraculous shortening of distances in the years after the Civil War. Before 1850 means of travel and carriage had consisted largely of scattered short rail lines, occasional canals, navigable streams, and badly made roads."<sup>2</sup>

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1. V. L. Parrington, *op.cit.*, vol.III, p.7.

2. Arthur C. Cole, *The Irrepressible Conflict, 1850-1865* (New York, 1934), p.3.



The quickness with which industry recovered after the Civil War was remarkable. It was largely caused by the removal of all barriers to interstate commerce through the rapid extension of the railway systems, culminating in the great transcontinental lines. There were 30,000 miles of railways in 1860, 52,000 in 1870, 166,000 in 1890, and 242,000 in 1910. The population of the country doubled within the life of a single generation, between 1870 and 1900. William E. Dodd stated that "the people of this country did not compose a nation until after the close of the Civil War in 1865.<sup>1</sup> In any case, the nation of 1865 differed sharply from that which existed prior to the Civil War.

It differed first of all in scale; the element of "bigness" was just entering American economy — the mass moment. It was the great era not only of city-building but of a growing urban spirit which was opposed to American romanticism and called for realism. The age of Big Business, with its warfare, scandals, and intrigues, was picturesque and even dramatic without belted knights. Irrespective of our attitude toward the heroes and villains of this period, "to draw the American scene as it unfolded between the Civil War and the end of the nineteenth century, without these dominant figures looming in the foreground, is to make a shadow picture," as the Beards have written. "To put in the presidents and the leading senators . . . and leave out such prime actors in the drama is to show scant respect for the substance of life."

It was the time of a slow disappearance of American peculiarities, in comparison with the development in Europe. As the United States became more urbanized, American political and social problems became more and more like those of western Europe. The slowing down and ultimate disappearance of the territorial frontier movement was the most important event of this period. After the Civil War the frontier movement not only

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1. *Expansion and Conflict* (Boston, 1915), Preface, p.v.

embraced the surface of the land, but penetrated the subsoil — the silver and gold of Nevada, Colorado, and Montana, the copper of Michigan, the iron ore of Pennsylvania and New York. But the end was in sight. The decline of sectionalism, due to the diffusion of urbanism and standardization, was making progress. There were still felt the particular interest of the wheat, silver, and cotton states, but the uniformity of life and thought made immense progress with the industrialization of the country and the expansion of its material civilization.

"With the laying of the Union Pacific rails in the late sixties the destiny of America as a self-sufficient economic unity was fixed. Henceforth for an indeterminate period the drift of tendency would be from outlying frontiers to industrial centers, and with that drift would come far-reaching changes in the daily routine of life. The machine would reach into the remotest villages to disrupt the traditional domestic economy, and the division of labor would substitute for the versatile frontiersman the specialized factory-hand. A new urban psychology would displace the older agrarian, and with the new psychology would come other philosophies in response to the changing realities."<sup>1</sup> The triumph of standardization was complete after the passing of the frontier.

The picturesque frontier types were vanishing as the territorial frontier movement was superseded by the intensive frontier movement of industrialization, which called for uniformity. The diffusion of uniformity and standardization led to further centralization. The panics of 1873, 1890, and 1907 caused the creation of the Federal Reserve System, another centralizing moment in the economic development of the United States. The period signified America's entrance into the field of imperialist competition. For the expanding industrialism of the country the imperialist activity on the American continent meant replacement of the vanishing internal frontier movement as the industrial frontier movement performed the function of colonies for Europe; that is, the ex-

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1. V. L. Parrington, *op.cit.*, vol.III, p.103.

change of cheap materials and foodstuffs for finished products and capital for investment.

And it differed in tempo. In Emerson's expression, the United States decided to hitch its wagon to a star, for acceleration was the new popular conception of scale. An illustration of the change in scale can be seen in a comparison of the war financing undertaken by Robert Morris and that undertaken by Jay Cooke; it was a resourceful and self-sacrificing attempt of an individuum in the first case, an organized approach of the masses in the second. "There can be little doubt that the spectacular career of Jay Cooke quite dazzled his contemporary fellow citizens. Nothing quite like it had before appeared in America. The greatest salesman that the rising middle class had yet produced, a financier who understood the psychology of mass appeal, a propagandist of truly heroic proportions, he was reckoned no other than a magician by all the lesser money-grabbers of the Gilded Age."<sup>1</sup>

This magic was the feeling of the change in scale. The Civil War revolutionized the financial structure of the country, but in all fields of economic activity the popular conception of the scale changed. The combination of subjective factors—the character of the people, its jack-of-all-trades education and habits, inventive abilities, and mass immigration—and the objective factor—an unparalleled command of natural resources—caused the full development of the capitalistic form on a large scale. Even in the comparatively neglected field of agriculture, the country became the food-supplier of Europe. "It was this energetic East, with its accumulations of liquid capital awaiting investment, and its fac-

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1. V. L. Parrington, *op.cit.*, vol.III, p.42. It is rather surprising that no attempt has been made to investigate the ideological sources of Jay Cooke's plans. He certainly introduced to the United States the practice of the school of Saint-Simon, and appears as a worthy counterpart to Pereira in France, Mauà in Brazil, and many others. Cooke's battle with J. P. Morgan reminds one vividly of Pereira's conflicts with the Rothschilds, so beautifully presented in Zola's *L'Argent* in the financial duel between Saccard and Gunderman. Henrietta M. Larson, in her study, *Jay Cooke, Private Banker* (Cambridge, Mass., 1936), does not give enough attention to this problem. Compare my *Brazil*, pp.89-96, and my essay "Saint-Simon in America," in *Social Forces* (October, 1932).

tories turning out the materials needed to push the settlements westward, that profited most from the conquest of the Far West. The impulsion of the frontier did much to drive forward the industrial revolution."<sup>1</sup>

The most revolutionary change was the arising of a new economic society. The first half of the century saw the formation of a middle class, strengthened by the addition of new manufacturers and frontiersmen. The American middle class of the period under discussion must be understood in a broad sense; it included not only the urban bourgeois and the white-collar group, but also the well-to-do farmer and to a certain degree the better-paid worker.

The abolition of slavery destroyed the large-plantation system, and with it the patriarchal system of society. The middle class in the process of formation, with its spirit of robust individualism, and a buoyant spirit of hopefulness that expressed itself in democratic programs and faith in a benevolent progress, was struggling against the strait-jacket of English classicism. It created its own economic philosophy, which found expression in the teachings of the romantic national school, and insisted on the transformation of the contemporary status quo. With the new period of the glorification of the business man, the age of the middle class was established.

Parrington has brilliantly expressed the character of this period. "Freedom," he writes, "had become individualism, and individualism had become the inalienable right to pre-empt, to exploit, to squander. Gone were the old ideals along with the old restraints. The idealism of the forties, the romanticism of the fifties — all the heritage of Jeffersonianism and the French Enlightenment — were put thoughtlessly away, and with no social conscience, no concern for civilization, no heed for the future of the democracy it talked so much about, the Gilded Age threw itself into the business of money-getting. From the sober restraints of aristocracy, the old inhibitions of Puritanism, the niggardliness of an exacting domestic economy, it swung far back in reaction, and with the discovery of unlimited opportunities for exploitation it

*not so  
glorious*

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1. V. L. Parrington, *op.cit.*, vol.III, p.8.



allowed itself to get drunk. Figures of earth, they followed after their own dreams. Some were builders with grandiose plans in their pockets; others were wreckers with no plans at all. It was an anarchistic world of strong, capable men, selfish, unenlightened, amoral — an excellent example of what human nature will do with undisciplined freedom. In the Gilded Age freedom was the freedom of buccaneers preying on the argosies of Spain.”<sup>1</sup>

After the Civil War the dreams of the romantic nationalists were practically fulfilled. The country universally accepted and accelerated industrialization, and made the utmost use of this new frontier movement. The middle class not only won, it became the dictator. The ideological stand now changed. The triumphant middle class embraced the principle of conservation and proceeded to defend and to extend its gains. The victory of the middle class was also quantitatively complete, as a large part of the labor and farm population belonged to it. The custodianship of America was in the hands of “expectant capitalists.” The democratic romanticism of the frontier was dying, along with the old ideals of decentralized democracies and of individual liberty. The nation hurried forward to throw its power into the hands of the new industrialism.

New and old problems — trusts, labor, land, currency, tariffs — the triumphant middle class approached them from the standpoint of conservation and preservation of the obtained *status quo*. This period was rich in movement and color, and found better interpreters in belles lettres than in economics. The pot was boiling briskly. What Bret Harte did for the mining camps of California and Mark Twain wrought for the Mississippi Valley, Howells, Frank Norris, and later Dreiser and Sinclair Lewis did in their sociological novels for the business world in description and interpretation.

For fifty years after the Civil War the principle of conservation was triumphant. For fifty years the “economic man” remained the hero, the axis and point of departure for economic considerations. For fifty years the victory of Hamiltonian-Mar-

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1. *Op.cit.*, vol.III, p.17.

shallian principles remained unchallenged. Mark Twain's *Gilded Age* and Edwin L. Godkin's *Chromo Civilization* — these labels can be applied in the evolution of American economic thought to the entire period under discussion.

The interests and sympathies of the triumphant American middle class were now in tune with English classicism, which remained predominant throughout this period. We should not underestimate the value of a European pose in the intellectual life of this country in the second half of the nineteenth century. The waves of new continental doctrines reached American shores. Thus the German historical school had its hour of short-lived success, the Austrian marginalists invaded the United States and joined forces with the classics. But the combination of neo-classics and Austrians dominated this period, when the American people became capitalist-minded. A theoretical eclecticism penetrated the mass of professional economists, many of whom turned their minds to unpretentious description and fact-finding.

The romantic national school had but few epigons, and the teachings of Henry George were an episode in the development of the school. The common man expressed his discontent and his dreams of transformation in a flood of utopian writings, of which Bellamy's *Looking Backward*<sup>1</sup> remained the most famous and influential, and the business man began to consider with fearful anxiety the periods of panics and crises. Generally speaking, however, we can safely apply to the economics of this period John Macy's statement that "the American literary imagination after the Civil War was almost sterile."<sup>2</sup> In spite of the hundreds of books published by erudite economists. James Bryce, a shrewd observer, emphasized that in the United States "the atmosphere is not charged with ideas as in Germany, nor with critical *finesse* as in France. Stimulative it is, but the stimulus drives eager youth away from the groves of the Muses into the struggling throng of the market-place."<sup>3</sup>

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1. Boston, 1887.

2. *The Spirit of American Literature* (New York, 1913), p.13.

3. *The American Commonwealth* (London, 1888), vol.II, p.627.

The beginning of the formation of the proletariat and the European wave of Marxism resulted in the beginning of socialism in the United States. But the true and vigorous representative of the protest and the fight for transformation was the farmer. The agrarian opposition was the only real one to the triumph of the urban middle class and Big Business.

"During this period the country, and especially the western part of it, has been transformed from a comparatively simple agricultural community into a complex modern industrial state; and in the process of adjustment the agricultural class of the population, among others, has been inclined to feel aggrieved. The result has been a series of radical agitations on the part of the farmers for the improvement, by organized effort, of their relative condition. Of this general 'farmers' movement,' the first wave began with the establishment of the order of Patrons of Husbandry in 1867, slowly gathered headway for a few years, and then suddenly culminated in a series of startling manifestations, political and economic, during the years from 1873 to 1875. From then on to the end of the decade, this 'Granger movement' gradually subsided, although many of its features were embodied in the programs of the more radical agricultural movements which took their rise in the early eighties."<sup>1</sup>

At any rate, Professor J. Laurence Laughlin was correct in his statement that "the Civil War was, so to speak, the convulsion which brought into existence a desire for the study of political economy in the United States. The country was stirred to its depths by economic questions; for they entered into the political issues of existing campaigns."<sup>2</sup>

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The House of Walker, father and son, Amasa Walker and General Francis Amasa Walker, represented the transition from the old to the new style of thought. As in the case of the House

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1. S. J. Buck, *The Granger Movement* (Cambridge, Mass., 1913), Preface, p.v.

2. *The Study of Political Economy* (New York, 1885), p.24.

of Carey, the son was more influential in the history of American economic thought than the father. As in Carey's case, Walker, senior, was a business man with a highly pronounced interest in practical economic problems, and the sons in both cases endeavored to create and develop their own theories. Like Carey, son, General Walker was in a certain sense the organizing element of the economists of his time. He was the director of the Statistical Department, the first president of the American Economic Association, and was twelve times elected president of the American Statistical Association.<sup>1</sup> He was responsive to the spirit of the time and to the new European currents of thought, but he certainly was not an out-and-out follower of the German historical school, as Richard T. Ely tries to represent him.<sup>2</sup>

Like Carey, son, General Walker enjoyed European fame. He was a member of scientific societies and congresses in Europe: Paris, Brussels, London; he received decorations from Spain and Sweden; he met and corresponded with Levasseur, Ashley, Marshall, Foxwell, Adolph Wagner, and Nicholson; his textbook, translated into many languages, was adopted in England.<sup>3</sup> He was the first professional American economist who entered the international field; while Carey, son, was the first American layman economist with an international reputation.

Francis Walker emphasized the intellectual waves between Europe and this country. "This recent movement, as it is witnessed in the United States, is, in part, only our share of a movement which has, during the same period, been going on in all countries in which men think and write on economic themes; in perhaps

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1. See S. N. D. North, "Seventy-Five Years of Progressive Statistics," in *The History of Statistics* (New York, 1918).

2. "The younger men in America are clearly abandoning the dry bones of orthodox English political economy for the live methods of the German school. We may mention the name of Francis A. Walker, the distinguished son of Amasa Walker, as an American whose economic works are fresh, vigorous, and independent. Essentially inductive and historical in method, they have attracted wide attention and favorable notice on both sides of the Atlantic." Richard T. Ely, *The Past and the Present of Political Economy* (Baltimore, 1884), p.64.

3. See J. Ph. Munroe, *A Life of Francis Amasa Walker* (New York, 1923).



greater part, it is the deferred effect of causes which have been operating for many years abroad, but which, for more lack of vital communication with the economic thinkers of Europe, have come to make their full impression upon us only after long delay."<sup>1</sup>

Amasa Walker (1799-1875) was a teacher, business man, railroad advocate, professor of political economy, and man of affairs. He was Secretary of State in Massachusetts and a congressman. He aided the formation of the Free Soil Party in 1848. Political economy he considered "emphatically a business science." Walker was orthodox, a free trader, and a follower of the currency school, but typically American in rejecting Malthus's theories. His main work, *Science of Wealth*,<sup>2</sup> was prepared in collaboration with his son, Francis A. Walker. Walker, son, was a soldier, professor, and president of the Massachusetts Institute of Technology. He is known in the history of economics as General Francis A. Walker.

Francis Walker's optimism, his belief in harmony, his limited acceptance of laissez faire, connected him with the romantic national school. But the presentation of his theories as a reinterpretation of Ricardo and a glorification of the entrepreneur placed him with the classics. He asserted that "Ricardo's doctrine can no more be impugned than the sun in the heaven." He did not subscribe to the population theories of the romantics. He was not in favor of unrestricted immigration, and especially emphasized that immigration in the long run had not reinforced the population, but had merely "replaced native by foreign stock."

But at the same time "Americanism" was still strong. General Walker and Alfred Marshall both felt it vividly at their first meeting.<sup>3</sup> Typical of Walker's transitional position is the following statement:

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1. General Francis A. Walker, "Recent Progress of Political Economy in the United States," opening address, *Publications of the American Economic Association*, vol.IV, no.4 (June, 1889), pp.18, 19.

2. Boston, 1866.

3. Here is an extract from Marshall's letter: "I have a rather vivid memory

"For myself, I will only say, in general, that while I repudiate the assumption of the economic harmonies which underlies the doctrine of laissez faire, and while I look with confidence to the state to perform certain important functions in economics, I believe that every proposition for enlarging the powers and increasing the duties of the state should be long and closely scrutinized."<sup>1</sup>

Walker's main contribution to economic theory was his attack on the orthodox wage-fund theory which influenced largely, especially in its critical part, English and American economists. His positive theory originated in American optimism and attempted to show that the amount of wages under free competition tended to equalize the product and the labor.<sup>2</sup> Walker proposed to show that entrepreneurs' profits augmented the wage fund, and hence that the entrepreneur was the benefactor rather than the exploiter of labor, since the captain of industry, like the inventor of a new machine, laid open new sources of wealth for all. Profits were from this standpoint an additional earning of management that justly accrued to him who created it. The doc-

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of the day on which I called on him in Boston in 1875, I think. I believe I had brought a note of introduction to him from President Eliot, so he knew what I was interested in. He sat still for a minute, saying, 'I wonder what I had better talk about.' He must have known that he might talk for a week without getting to the end of what I wanted to know. But he was wont to be fond of parables, and he seemed to decide that the best thing he could do was to make me see how different fundamentally were American economic problems from British: either country might learn from the other, but the learning had to be redistilled before it was fit for use on the other side of the herring-pond. At last he said, 'I know what I'll do,' and he fetched a book of photographs of Indians, gave it to me, talked about some of them, and his personal relations with them, and filled my mind with them. I do not recollect the details of the conversation which followed, but in some way it led up to this: British economics has a chief corner stone in Ricardo's theory of rent; in a sense that is universal, but the particular developments of it which are of most importance in an old country don't count for much in a land where the nominal owners of a hundred million acres or more are the people whose photographs you have just seen." Munroe, *op.cit.*, pp.308, 309.

1. "Socialism" (1887), reprinted in *Discussions in Economics and Statistics* (New York, 1899), vol.II, p.270.

2. *The Wage Question*, New York, 1876.

trine from which he deduced his theory of the entrepreneur was the Ricardian theory of rent.

In his later years Walker was under the obvious influence of penetrating historical method, and he did not hesitate to state the respects in which, in his opinion, "the prosecution of political economy, under the dominating influence of Mr. Ricardo, has been unfortunate."<sup>1</sup>

As president of the American Economic Association for many years General Walker had frequent opportunity to express his opinion on the stand and progress of political economy in the United States. At some occasions he decried the absolutism of laissez faire in economics in even stronger terms:

"Yet, while 'Laissez Faire' was asserted, in great breadth, in England, the writers for reviews exaggerating the utterance of the professors in the universities, the doctrine was carefully qualified by some economists, and was held by none with such strictness as was given to it in the United States. Here it was not made the test of economic orthodoxy, merely. It was used to decide whether a man were an economist at all. I don't think I exaggerate when I say that, among those who deemed themselves the guardians of the true faith, it was considered far better that a man should know nothing about economic literature, and have no interest whatever in the subject, than that, with any amount of learning and any degree of honest purpose, he should have adopted views varying from the standard that was set up.

"Such intolerance was not necessarily due to bigotry. It was, the rather, involved in the very nature of the 'Laissez Faire' doctrine. If that was true, there was no reason why an economist should have any professional communion of intercourse with an outsider. No good could come of it but only a possible weakening of faith on the part of disciples and a certain encouragement to heresy."<sup>2</sup>

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1. "The Present Standing of Political Economy" (1879); reprinted in *Discussions*, vol.I.

2. Opening address at the third annual meeting, December, 1888.

He declared himself against the early American followers of the classics:

"Closely analogous to this was the argument by which, in what I would, with offence, call the aristocratic economics of the early part of the century, it was sought to be shown that it was not important, or, indeed, desirable, that the laboring class should take any active part in the distribution of wealth; should feel any responsibility for asserting and maintaining their own interests in that distribution."<sup>1</sup>

There were several other economists of the transitional type — followers of classicism but slightly affected by the intruding historical trend like David A. Wells, author of manuals on geology and chemistry, statistician, and Special Commissioner of the Revenue Bureau, in which capacity he published the classic *Reports* for 1866-1869. He edited a volume of Bastiat's essays and was highly praised by Simon Newcomb. His method was rather a comparative historical one. His presentation was broad, urban, and full of a worldly knowledge of facts. But his convictions were of a *pur sang* laissez-faire type. According to him, in order to make the complicated machinery of civilized society "work smoothly, all possible obstructions need to be foreseen and removed from its mechanism."<sup>2</sup> Edward Atkinson discussed the theory of wages; Horace White specialized in money and banking; J. Schoenhoff studied tariffs, and so on.

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Prior to the Civil War the romantic national school undertook an attempt to condition the classics to the American environment; after the Civil War a complete conquest of American economic thought by capitalism and the classics took place.

The new dictator — the middle class — used as its ideology the undiluted classicism which was reasserting its influence in the United States. From the white-collar worker up to the robber-

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1. "Recent Progress," *op.cit.*, p.33.

2. *Recent Economic Changes* (New York, 1890), p.466.



baron, the classic theory suited the acquisitive desires and the principle of conservation. John Stuart Mill became its prophet, but his American followers neglected Mill the humanist, and used his theory as a justification and substantiation of complete freedom from the business man. The American followers of Mill neglected in his teachings the elements of Auguste Comte's positivism and Saint-Simon's influence, as well as that of Sismondi and the socialists of 1848, but considered as gospel his Ricardian economics and his Benthamian philosophy. Mill's American disciples adopted his English substance, but rejected the new vistas opened under the influence of French ideas in successive editions of his book and his later writings.

The academic tradition of classicism was stiffening in the second half of the nineteenth century.

A perusal of the literature of the period soon after the Civil War shows no sign of a great and new development in American economics. It is true that economic problems of higher importance and on a bigger scale arose, but the academic economists continued to remain isolated from actual life, delivering courses based on McCulloch and Mill. They continued to follow traditionally and obediently the English classics and their American adherents. Few of them took into consideration the peculiarities of the United States. Many of them remained faithful to the theological element in the interpretation of economic life. This was true even of some of the dissenters, as, for instance, Richard T. Ely and his disciple, John R. Commons, who organized the American Institute of Christian Sociology at Chautauqua. Some of them undertook studies of banking and currency problems. Dunbar was typical of the period; he combined all these features.

W. G. Sumner, influenced by Martineau (by his own admission), was an extreme representative of the principle of conservation and laissez-faire. He was strongly affected by the Darwinian philosophy, and a defender of "free trade and hard money," who fought and ridiculed any ideas of transformation, considering his contemporary economic form absolute and eternal. "Society," he said, "needs first of all to be freed from these meddlers — that is, to be let alone. Here we are, then, once more back

at the old doctrine — Laissez-faire. Let us translate it into blunt English, and it will read, Mind your own business.”<sup>1</sup> Sumner wanted the people to realize that all social life was governed by unchangeable and merciless laws, and that the only way by which such prosperity and progress as were possible could be enjoyed was by discovering these laws as they were revealed in history, and obeying them. He exclaimed pathetically: “If this country, with its population, its resources, and its chances, is not prosperous by the intelligence, industry, and thrift of its population, does any sane man suppose that politicians and stump orators have any devices at their control for making it so?”<sup>2</sup>

Sumner rejected the “empirical process” in favor of orthodox theories called by him the “scientific process.” He fought Francis A. Walker’s bimetallist notions; he considered protectionism as “legalized robbery,” and condemned both the Interstate Commerce Law and the Sherman Anti-Trust Act as offending the principles of laissez-faire. He was a prolific writer and a tireless speaker. His speeches, full of violent temper, were widely circulated and commented upon throughout the country, being alternately praised and condemned. His style was poor, but he possessed the ability to coin expressions, such as “the Forgotten Man.” As one of his contemporaries, Frank W. Taussig, remarked, he “expounded and clarified certain doctrines, simple enough in their essence, with a remarkable gift of phrase and with telling effect,” but “he cannot be said to have contributed anything novel to economics.”<sup>3</sup>

Sumner’s denial of the transformation idea was best expressed when he “amused himself, along in the seventies or early eighties, in figuring to himself the state of the world under a socialistic regime of the sort which he was always ridiculing and opposing. He did this by imagining the contents of a socialist newspaper, the *New Era*, of the date July 4, 1950, consisting of

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1. *What Social Classes Owe Each Other* (New Haven, 1925), p.120.

2. “Cause and Cure of Hard Times,” reprinted in *The Forgotten Man and Other Essays* (New Haven, 1919), p.150.

3. Quoted in Harris E. Starr, *William Graham Sumner* (New York, 1925), p.389.

editorials, news notes, public announcements, criminal cases, and even a book review. The whole caricatures in high colors the phenomena attending such a regime in its period of exuberance. "The following," he writes, "is a complete and verbatim copy of a [New York City] newspaper of the date given. It is printed on a small quarter sheet of coarse paper. The printing is so bad that it is hard to read, and the typographical errors, all of which have been corrected, are inexcusable.

"The motto of the paper is: 'Let the rich pay! Let the poor enjoy!' The responsible editor is Lasalle Smith, and the proprietors Marx Jones, Chairman of the New York City Board of Ethical Control, Cabot Johnson, Chairman of the Board of Arbitration for Wages and Prices, Baboeuf Brown, Chairman of the Board of Control for Rents and Loans, and Rousseau Peters, President of the Cooperative Bank."<sup>1</sup>

It is not surprising that Upton Sinclair once expressed doubt "if there had ever been a more capitalistic economist than Sumner."

Exceptions were few. Simon Newcomb, the astronomer, preached the necessity of scientific research, emphasized the psychological basis of economics, and was searching for an equilibrium. He joined Walker in glorification of the entrepreneur, and declared that the work of the railroad promoter "lay at the very basis of civilization." He explained to the workers that "it was to your benefit and my benefit that Vanderbilt did not stop making money."<sup>2</sup> In later years Arthur T. Hadley practically repeated these words: "To the mediaeval economist the business man was a licensed robber; to the modern economist he is a public benefactor."<sup>3</sup>

J. Laurence Laughlin was probably the most orthodox of all the followers of the English classics, and combined with his adherence to them a strong theological coloring. He considered

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1. A. G. Keller, note to William Graham Sumner's "The Cooperative Commonwealth," in *The Forgotten Man*, etc., p.441.

2. *A Plain Man's Talk on the Labour Question* (New York, 1886).

3. *Economics* (New York, 1896), Preface.

principles of economics as "expressions of Christian truth"; but his main importance lies in his studies of currency and banking.

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The historical interlude of the end of the seventies and early eighties suddenly ruffled the placid lake of the American admirers of the English classics. While the opposition had previously received its theoretical inspiration from French sources, it was Germany this time that gave American economic thought its arguments against the classics. This change in foreign influence was in tune with the general trend, as by 1848 the French influence commenced to wane before the German one.

The rise of the historical school of economics in continental Europe dated from 1843—the date of the first publication of Roscher's *Grundriss* in Germany. This trend of thought obtained a decisive victory in the last quarter of the century under the guidance of the so-called new historical school, whose leader and head was Gustav Schmoller. Opposition to the classical school and favoring of intervention, combined with an ethical and humanitarian approach, were sympathetically greeted by the younger generation of American economists, especially because some of its ideas gave a clearer historical interpretation of certain phenomena of American life, while the classics were becoming more and more involved in a mesh of theoretical subtleties. In the first quarter of the nineteenth century a group of American historians—it was in 1820 that Edward Everett, George Bancroft, and George Ticknor returned to America from Göttingen—imported the German research methods, standpoint, and spirit of idealism, which influenced New England transcendentalism. The same fate befell the new generation of American economists, who undertook a similar migration in the last quarter of the century, simultaneously with a new period of travel to Germany by American historians.<sup>1</sup>

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1. "But the late eighties and the early nineties saw a great advance in the pursuit of history in the United States. The causes of this advance were various. The most fundamental, no doubt, was the heightened sense of national im-



The widening ripples from the German historical school, reinforced by the opposition of Irish economists—Cliffe-Leslie and J. K. Ingram—to the classics, and especially by Ingram's address on "The Present Position and Prospects of Political Economy" (1878), reached America in the early eighties. Richard T. Ely emphasized in his introduction to Ingram's well-known *History of Political Economy* that "in the United States Ingram was one of the forces producing what with some exaggeration was called 'the new economics'."<sup>1</sup> The new united Germany, victorious over Austria and France, and buoyantly racing on the road to complete capitalism, caused admiration. J. Laurence Laughlin described this change in the following words:

"Old students at Göttingen, on returning to the University since the late wars in which Germany has been engaged, are amazed to find the old-fashioned spot — where the customs, habits, and naive simplicity of one hundred years ago had prevailed until quite recently — now wholly changed. The commercial spirit had seized the formerly simple-minded peasants, and the quiet town now hears in its streets the heavy march of cosmopolitanism. The United States, as well as Germany, had new problems to solve."<sup>2</sup>

During the 1880's over two thousand Americans were studying in German universities, twice as many as in the preceding ten years, and considerably more than in the next decade. Among them were many economists. Knies in Heidelberg, Roscher in Leipzig, Held and later Wagner and Schmoller in Berlin, Conrad in Halle, Cohn in Göttingen, von Helfferich in Berlin, Knapp

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portance and unity that followed upon the period of Civil War and Reconstruction. Not a little of the impulse, however, came from Germany—that old Germany of disinterested scholarship and quaint, unworldly professors which seems to have disappeared, but to which in the seventies and eighties the élite of American students flocked in impressive numbers, and from which they returned with eager ambition to raise American scholarship to higher levels." J. Franklin Jameson, "Early Days of the American Historical Association," in *American Historical Review*, vol.XL, no.1 (October, 1934), p.2. See also Richard T. Ely, *Ground Under Our Feet*.

1. P.xi.

2. *The Study of Political Economy*, pp.17, 18.

in Strasburg, Leroy-Beaulieu and Levasseur in Paris, were the teachers; Henry C. Adams, Richmond Mayo Smith, Simon N. Patten, John B. Clark, Richard T. Ely, Frank W. Taussig, Arthur T. Hadley, Henry W. Farnam, Edwin R. A. Seligman, and E. B. Andrews were the best-known of the American students abroad in this period of *Wanderjahre*. J. B. Clark opened the migration in 1873, studying under Knies and Roscher. Almost twenty years later, when the historical interlude was ended in this country, the prestige of German economists was still great in the eyes of beginners in economic research.<sup>1</sup>

Those who led this new historical trend felt the necessity of organization. Professor Alexander Johnston of Princeton University declared at a meeting called at Saratoga in September, 1885, to form an economic society: "This is an effort to stop the formation of any 'crust' on the development of economics." A "statement of principles" proposed and accepted at the formation of the American Economic Association at this meeting, as "a general indication of the views and purposes" of the founders, contained this declaration: "While we appreciate the work of former economists, we look not so much to speculation as to the historical and statistical study of actual conditions of economic life" for

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1. "To these four men, Menger, Schmoller, Böhm-Bawerk, and Wagner, the eyes of the economists of all nations are at present directed, as to the most conspicuous representatives of our science in the country in which that science has been most assiduously and most fruitfully cultivated during the last fifty years. To the great universities which are the scenes of their pedagogic activities, attaches an unusual interest for economists. Berlin and Vienna are, at the present time, magnets, attracting to themselves economic students from all countries." H. R. Seager, "Economics at Berlin and Vienna," in *Journal of Political Economy* (March, 1893), no.2, p.239.

"While a student in Germany I became imbued with the German view and came home hoping to help in the transformation of American civilization from an English to a German basis. Like other returning students, I thought the last word on all subjects was in German." Simon N. Patten, *The Reconstruction of Economic Theory* (Philadelphia, 1912), pp.1, 2.

W. G. Sumner, one of the older generation, said: "I was then quite thoroughly Teutonized, as all our young men are likely to be after a time of study in Germany. I had not undergone the tuning down process which is necessary to bring a young American back to common sense." Harris E. Starr, *op.cit.*, p.71.

the further development of political economy. In its "manifesto" the new school declared itself in favor of state intervention: "We regard the state as an educational and ethical agency whose positive aid is an indispensable condition of human progress. While we recognize the necessity of individual initiative in industrial life, we hold that the doctrine of laissez faire is unsafe in politics and unsound in morals." One can recognize in this statement the ethical aspirations of the German *Verein für Sozialpolitik*.

In a manner typical of his transitional role, General Walker agreed to act as the first president. He was, I believe, the only full-fledged professor in the group of young American economists who formed the American Economic Association. The "old school," Laughlin, Sumner, Taussig, and Hadley, refused to join the new association. This group took a militant position. The famous "Science" economic discussion represented the fight between the new historical school and the orthodox classics.<sup>1</sup>

The perusal of the yellowed pages of *Science* for 1886 acquaints us less with an American edition of the contemporary *Methodenstreit* than with an atmosphere of a fight between followers of strict laissez faire, believers in absolute economic laws, and adherents of the intervention idea. W. G. Sumner remained emphatic in declaring that "it is a complete mistake to interpret the course of things which we see as moving toward more regulation." Arthur T. Hadley declared that "the danger of believing that economics can be interfered with by human effort is ten times greater than the danger of an extreme belief in laissez faire." F. W. Taussig took the standpoint that economic science has nothing to do with the functions of the state. Of the historical economists only a few endeavored to raise the discussion to the level of methodology. Seligman declared: "The modern school holds that the economic theories of any generation must be regarded primarily as the outgrowth of the peculiar conditions of time, place, and nationality, under which the doctrines were evolved, and that no particular set of tenets can arrogate to itself

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1. *Science* (1886), vols.VII, VIII.

the claim of immutable truth, or the assumption of universal applicability to all countries or epochs. We do not wish to disparage the work of previous economists; but, just because of our belief in the relativity and continuity of economic doctrine, we are compelled to regard much of what was at the time comparatively correct and feasible, as today positively erroneous and misleading." He repudiated the assertion that the new movement was a German one, and attempted a compromise between the orthodox and the rebels:

"The discontent with the continued application of antiquated doctrines made itself felt in the valley of the Po, in the heart of New England, and on the banks of the Thames. It is true that Germans happened to formulate the discontent more systematically at first; but the present movement would ultimately have attained the same proportions had Roscher and Knies never lived, just as Adam Smith would have expressed his ideas had the physiocrats never existed. The new school is the product of the age, of the *Zeitgeist*, not of any particular country; for the underlying evolutionary thoughts of a generation sweep resistlessly throughout all countries whose social conditions are ripe for a change. The more extreme of the Germans, moreover, have themselves overshot the mark, have unduly undervalued the work of the English school, and have in their zeal too dogmatically denied the possibility of formulating any general laws."<sup>1</sup>

Richmond Mayo Smith was even clearer in his expression: "Every state action," he said, "every law that is passed, or ordinance enforced, or treaty negotiated, has economic consequences sometimes of the highest importance. Political economy must here direct state action, must say what will be the consequences of such action, and whether it will be for good or evil. It can do this only by appeal to history, by comparison of the experience of other nations, and by the use of statistics. In other words, we find that the most faithful ally of political science is the use of the historical, comparative and statistical method of

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1. It is regrettable that Seligman's essay, "Change in the Tenets of Political Economy in Time," was never reprinted.



investigation in political economy." E. J. James was a bitter opponent of Taussig in their controversy regarding the state as an economic factor.

Richard T. Ely leaped into the discussion between Simon Newcomb and Seligman, and accused Newcomb of speaking "as if political economy were a mathematical science, with a body of truth unchangeable and eternal, like the statement, 'A straight line is the shortest distance between two points.' It is, according to his view, only the application of fixed principles which must be changed with time and place. Now, what is this body of mathematical truth in economics? There are some truisms in economics of that nature; but a large and important body of such principles I have never been able to discover, though I have searched for it long and diligently."<sup>1</sup>

While Seligman discussed principles, Ely started an offensive against the orthodox. He complained that this current, imported into America, "acquired a strength in certain educated circles—particularly in the North and East—to which it could scarcely aspire, even in England. It was always ready with its little tests of orthodoxy to meet our praise or condemnation, to accord honor or shame. Acceptance of its creed was often a condition of academic preferment. A small clique of men, not without newspaper influence, constituted themselves its special guardians and, still maintaining that position, even now attempt to exercise a sort of terrorism over the intellect of the country. Any deviation from this straight and narrow path laid down by them was deeply damned. It has been so generally felt that professors of political economy in America were mere advocates of existing institutions, that the masses have turned away from them in angry impatience, and have been prejudiced even against the important and unassailable doctrines which they did teach."<sup>2</sup>

The reaction against the classical school led to the formation of a new economic review in Chicago (the *Journal of Political Economy*) which emphasized in its first announcement that

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1. "Political Economy in America," in *North American Review*, vol.CXLIV no.2, (February, 1887), p.114.

2. *Ibid.*, p.116.

"while welcoming discussions of theory, the Journal will be devoted mainly to a study of the more practical questions of railway transportation, finance, banking, money, agriculture and kindred subjects in Economics and Statistics."<sup>1</sup> This program was repeated by Laughlin in his introductory article in the first number. It was a clear revolt against the program of the Dunbar-Taussig *Quarterly Journal of Economics* — the citadel of American classics since its first issue in 1886.

Gradually, however, the American Economic Association withdrew its demands for subscription to particular phases of belief. Its entire character changed. With the exception of Laughlin, who considered the association socialistic, the "old school" joined it very soon.

"American economics," wrote Simon N. Patten, "has done everything but what was then expected of it. It was supposed that this new group of thinkers would be historical, but no historical work has been done. The unexpected was the rise of the school of deductive theorists — the very thing the formation of the American Economic Association was designed to prevent."<sup>2</sup>

The ideals of the historical school were dead in this country by the end of the century. Its methods remained as a part of the schooling of young doctors.

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The historical interlude was short-lived. The dominating social classes of the country were in quest of *laissez faire*. Gradually a trend back to classicism, back to the deductive method, began to develop. This was stimulated by the revival of abstraction in Europe — in works by Jevons, Walras, and Carl Menger.

But this American neo-classicism was a kind of blend of Ricardo and Böhm Bawerk. A French writer remarked that "modern economic thought in the United States is permeated with English neo-classicism. Taussig is the Marshall of the United

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1. Vol.I, no.1 (December, 1892).

2. *The Reconstruction of Economic Theory*, p.4.

States. Ricardian economics is still vigorous, not so much because it is Anglo-Saxon as because the economic evolution of America has followed and overtaken that of England."<sup>1</sup> But Tausig was, of course, not an American counterpart to Alfred Marshall. His attitude was typical of "the insular narrowness of our economic learning" so deplored by Jevons.<sup>2</sup> The mid-Victorian Tausig still regarded himself as an authority on all economic questions, and scarcely realized how far the world had drifted away, and that his equipment of Manchester economics was no longer adequate.<sup>3</sup> He still insisted that "Political economy investigates and explains the phenomena of wealth."<sup>4</sup>

The special source of inspiration of the American neo-classics was Alfred Marshall, but some of them were also slightly influenced by the American romantic national current, superficially by the German historical school, and most of them strongly by the Austrian school. The majority of the neo-classics became in-

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1. Ernest Teilhac, *op.cit.*, p.176.

2. *Theory of Political Economy* (London, 1879), Preface, p.xlvi.

3. Here is a typical case where Tausig's economics made him a poor prophet: "While I have studiously tried to prevent my opinions from distorting in any way the narrative, I have not thought it necessary to conceal them. My point of view has been that of one who considers the principle of protection to be radically unsound. It would be going too far to say that every argument advanced in favor of protection is quite untenable. But the reasoning on which the general principle of free trade is based seems to me unanswerable; and for the United States the greatest practicable application of this principle is, I cannot but be convinced, the best policy. Within what limits the greatest practical application lies, need not here be discussed. It is certain, that in the present economic condition of the country and the present temper of the public, some degree of reform will take place in the not distant future—a reform of which, I hope, the reasonableness will be made somewhat more plain by these pages." *The History of the Present Tariff* (New York and London, 1885), Preface, p.vii.

Tausig never lost his belief in the almighty power of deduction: "No one can expect to have a well-grounded opinion on the protective controversy who is not trained in general economic reasoning; and any conclusions he may reach on general reasoning cannot be proved by facts and figures. If his general conclusions are once firmly fixed in his mind, he can simply illustrate them by facts derived from history and statistics." *The Tariff History of the United States* (New York and London, 1901), p.364.

4. "The State as an Economic Factor," in *Science*, vol.VIII (May 28, 1886), no.173, p.489.

volved in logical refinements. The economic world for them was the hinterland to the university. They used not deduction but *a priori* reasoning. The formal reasoning of the neo-classics and marginalists was logically esthetic. The *homo oeconomicus* of the classics, in all his glory, has been restituted; the hedonistic interpretation reduced him to a geometrical figure. The economic process became the subject of simplified teachings represented by curves and figures. Economics was for the neo-classics as fixed and final as a checkerboard. Numerous controversies and conflicting theories developed on this basis.

Sometimes the neo-classics emphasized the psychological moment and called themselves the psychological school. Frank A. Fetter, its chief representative, made the voluntaristic psychology his foundation, applied the marginal theory, and resolved all economic problems into problems of value. He showed the traditional American optimism in his first work on population, but gave no attention to conditions in the United States.<sup>1</sup> At other times the neo-classics tried to use the mathematical method, or combined all or some of the features of the schools.

With the exception of the pure neo-classics, all of them were more or less eclectic. But their eclecticism was not an attempt at a synthesis; it was not a development resulting from a conflict of opposing principles.

The greatest figures among the academic economists was certainly John B. Clark. He is considered by many as "the greatest economic thinker ever produced in America"; others emphasize his "heroic" theoretical treatment, and praise his theory of distribution, his sharp distinction between static and dynamic economics. No doubt Clark was an outstanding theorist, in possession of unusual logic and clarity. He developed some of his theories independently of, but simultaneously with, his great contemporaries — especially the Austrians. It is true that he was probably the most original thinker among the American neo-classics. J. H. Hollander is correct in stating that "the rescue of economic study in the United States from the historical local

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1. *Versuch einer Bevölkerungslehre* (Jena, 1894).



inquiry into which it threatened to lapse and its restoration to the traditional search for the uniformities underlying economic conduct seem to me Clark's greatest service."<sup>1</sup> Clark certainly caused a revival of interest in abstract argument in this country.

But Clark, as an economist, was essentially more complicated. He went through a rather peculiar evolution. His *Philosophy of Wealth* (1885) contained some of the ideas of the American romantic national school, but at the same time he spoke in terms of changing processes under obvious German influence, and disclosed in this work his marginalist trend and his interest in Henry George's teachings. In this book Clark found that the *homo oeconomicus* was a fiction, and that there were more motives than self-interest; he stated that competition, resolved into an "ignoble struggle for personal profit," disappeared and ought to disappear, that widespread governmental regulation was necessary, and that society was an organism, not a mere aggregation of individuals. Clark, influenced by his German training under Knies, was talking for the most part in terms not of static laws but of changing processes.

In his *Distribution of Wealth* (1899) we meet a different Clark, who believes in universal absolute economic laws and has become 100 per cent neo-classic. In this "Study of Static Social Phenomena" (the subtitle of the work) Clark explained his first set of laws — the Universal Laws of Economics. He developed here the productivity theory of wages in the finest theoretical form. His main thesis was that each of the factors of production — land, labor, and capital — tended to receive the share of the social product that it had respectively contributed to produce. His theory reminds one of General Walker's ideas, but Clark consciously assumed conditions of perfect competition and of static equilibrium. He conceived statics as the point of departure for understanding dynamics. This theory was worked out more sketchily in *The Essentials of Economic Theory* (1907).

Clark's theory of value, based on a conscious union of the subjective and objective factors and attitudes, is typical of his

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1. *Economic Essays in Honor of J. B. Clark*, p.3.

fusion of English classicism and Austrian marginalism. He arrived at marginalism from his emphasis on the psychological background of consumer demand in his *Philosophy of Wealth*.

In his long career as a scholar Clark forgot his early doubts and the ideas of his *Philosophy*, and began to elucidate the universal laws of economics. The logical beauty, precision, and architectural perfection of his system deeply influenced his contemporaries and strengthened neo-classicism in this country. As Alvin Johnson wrote in his obituary, "it is hardly possible for the present-day student of economics to conceive the excitement aroused at the turn of the century by the appearance of the *Distribution of Wealth*."<sup>1</sup> But Johnson is wrong in speaking of native Americanism as maturing during the career of J. B. Clark; it was the period of its disappearance.

If Clark's role, importance, and place in the history of American economic thought must be specified by comparison, he was the American Alfred Marshall; but a Marshall who left no school. Like Marshall, Clark was an "original eclectic" who caused and strengthened the revival of abstract thought, and produced a melting-pot of native and imported, old and new theories and notions. No current was strange to him. But the native American ideas of his first book soon vanished; his neo-classicism remained and conquered.

Paul T. Homan is correct in the following summary: "To what conclusion has this closely wrought body of economic logic brought us? Briefly, it is a system of economic harmonies. Social harmony, it is concluded, results from competitive enterprise. The entire exposition may therefore be regarded as a sweeping and complete defense of the competitive form of business enterprise. Competition, working through the general pursuit of pleasure-gains, automatically eliminates conflicts of interest and injustices, and in a changing world spreads its increasing bounties before all classes; whether they love the Lord or not. If nothing suppresses competition, progress will continue forever.

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1. "John Bates Clark, 1847-1938," in *American Economic Review* (June, 1938), p.429.

This is, indeed, a far cry from the Clark who could, twenty years earlier, write: 'Individual competition, the great regulator of the former era, has, in important fields, practically disappeared. It ought to disappear; it was, in latter ways, incapable of working justice'.<sup>1</sup>

Transformational ideas became foreign to Clark's conception of universal laws and absolutism. When he visualized the evolution of his contemporary economic system, it was a change in scale and not in kind. He defended the competitive system from accusations by William J. Ghent, who spoke of "the Mor-  
ganization of Industry,"<sup>2</sup> and he developed his own vision of a future society in the neglected essay on "The Society of the Future."<sup>3</sup>

Thus Clark was the greatest representative of the "mechanics of self-interest," to use W. C. Mitchell's expression; and, like the majority of the American neo-classics, he found an escape in a mesh of subtleties and logical, esthetic, formal reasoning.

The dominating economic current was, during the period under discussion, neo-classic; yet it was not merely a renaissance of classicism, but rather its Indian summer. Many of the economists turned their interest toward fact-finding and the investigation of concrete problems of economic life — the field of banking and currency being especially appealing. Some of these investigations were of lasting value. Some resemble German doctoral dissertations. Many developed into outspoken technical studies. All of them unknowingly show all the symptoms of the degenerated historical school.

In their ideas concerning economic policy the neo-classics were following the doctrine of *laissez faire*; but they considered freedom to include freedom of competition, and expected the government to enforce it. "It is interesting that a system reminiscent of the earliest advocates of *laissez faire* should end upon a note of government regulation. But government is not to work out some new constructive scheme. It is to enforce competition,

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1. Paul T. Homan, *op.cit.*, p.94.

2. In *Our Benevolent Feudalism* (New York, 1902).

3. In *The Independent*, July 18, 1901.

'keeping alive the force on which the adherents of a laissez faire policy rested their hope of justice and prosperity.'"<sup>1</sup>

In the specific field of the tariff, by 1890 the doctrine that protection was a permanent necessity had made its appearance, and economists appealed to the wage-earning class for support on the ground that a reduction of duties would surely be followed by a reduction of wages.

The romantic national school, which reached its culmination with Henry C. Carey, was represented after the Civil War by only a few epigons. The explanation of the vanishing of the American spirit has been given previously: its purpose, industrialization of the country, being in process of fulfilment, the requested transformation having been performed, and the middle class being in power, the principle of conservation and of defense of the *status quo* became predominant, and found a proper ideological foundation in the doctrines of the classics.

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The epigons of the romantic national school were confronted with a different problem. The tables were now turned: the frontier was not expanding but vanishing; they began to protest against the too powerful and growing industrialism; they represented the neglected farmer in the Middle West and Far West; they voiced the protest against the doctrines of the industrialized East. Their cry was: "Land and money!" But the public domain was no longer behind every American, and the money power was concentrated in Wall Street. This current was theoretically weak, but politically of certain strength. It was more a movement than a theory, and it expressed the dominating economic opinion of certain American groups. But before we become acquainted with these movements we must give a brief report on the theoretical epigons of the romantic national school.

Henry George was the most powerful representative of this current. Like others in this group, he was not an aca-

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1. Paul T. Homan, *op.cit.*, p.92.



demic economist. Like many of them, he was a sailor, printer, journalist, editor. He is readily enough explained in the light of his environment. Especially the technique of Leland Stanford and the Central Pacific Railway group set Henry George to examining the history of land-jobbing in America, and persuaded him that monopoly in land was the deepest source of social injustice. He reached the conclusion that the expropriation of natural resources was the origin of rent, and rent was a social tax parasitic in nature; unearned increment was wrested from the producer. Like the romantic nationalists, he was a severe critic of the classics—especially of Ricardo and Malthus. He fought the classical theories of population and of rent, and although von Schulze-Gaevernitz calls him "ein gesteigerter Ricardo,"<sup>1</sup> he adopted the narrowest possible interpretation of the Ricardian theory. The remuneration received by capital and by labor was determined by what they were able to produce from the marginal land—the land that paid no rent. The share which they each received of this marginal product was determined by competition between them. But at the same time, in describing the outrageous consequences of the existing economic system, Henry George was not less full of optimism and belief in the possibility of transformation than were the early American romantic nationalists. *His Progress and Poverty*<sup>2</sup> is written in a beautiful literary style, shows a broad knowledge of literature and a passionate humanitarianism, and is rich in illustrations, especially frequent comparisons between old and new countries. Henry George insisted on the precise meanings of terms, usually lacking in economic writings. He had a vivid feeling of the frontier.

"Where the conditions to which material progress everywhere tends are most fully realized—that is to say, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed—we find the deepest poverty, the sharpest struggle for existence, and the most of enforced idleness.

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1. *Britischer Imperialismus*, p.101.

2. First edition: 1879. I have used the Doubleday-Doran edition (New York, 1898).

"It is to the newer countries—that is, to the countries where material progress is yet in its earlier stages—that laborers emigrate in search of higher wages, and capital flows in search of higher interest. It is in the older countries—that is to say, the countries where material progress has reached later stages—that widespread destitution is found in the midst of the greatest abundance. Go into one of the new communities where Anglo-Saxon vigor is just beginning the race of progress; where the machinery of production and exchange is yet rude and inefficient; where the increment of wealth is not yet great enough to enable any class to live in ease and luxury; where the best house is but a cabin of logs or a cloth and paper shanty, and the richest man is forced to daily work—and though you will find an absence of wealth and all its concomitants, you will find no beggars. There is no luxury, but there is no destitution. No one makes an easy living, nor a very good living; but everyone can make a living, and no one able and willing to work is oppressed by the fear of want."<sup>1</sup>

George had faith in political economy. "Political economy," he wrote, "has been called the dismal science, and as currently taught, is hopeless and despairing. But this, as we have seen, is solely because she has been degraded and shackled; her truths dislocated; her harmonies ignored; the word she would utter gagged in her mouth; and her protest against wrong turned into an indorsement of injustice. Freed, as I have tried to free her—in her own proper symmetry—Political Economy is radiant with hope."<sup>2</sup>... It must be within the province of political economy to give such an answer. For political economy is not a set of dogmas. It is the explanation of a certain set of facts. It is the science, which, in the sequence of certain phenomena, seeks to trace mutual relations and to identify cause and effect, just as the physical science seeks to do in other sets of phenomena."<sup>3</sup>

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1. *Progress and Poverty*, pp.6, 7.

2. *Ibid.*, p.557.

3. *Ibid.*, p.11.

He described his work as a synthetic attempt "to unite the truth perceived by the school of Smith and Ricardo to the truth perceived by the schools of Proudhon and Lasalle; to show that *laissez faire* (in its full true meaning) opens a way to a realization of the noble means of socialism; to identify social law with moral law, and to disprove ideas which in the minds of many cloud grand and elevating perceptions."<sup>1</sup> Nevertheless he was not a socialist, and he was not a physiocrat, as his emphasis on land made many think. He was a late representative of American romantic national school, whose brilliant fireworks served the popularization of political economy better than did many heavy volumes of academic erudition. But George had no faith in the progress of civilization, which in his interpretation tended always to the same result — a higher rent for the benefit of the landed proprietor.

He was essentially a man of this idea, and consequently gave a monistic interpretation of economic history and the economic present based on this idea. The following illustration is remarkable:

"Here is a little village; in ten years it will be a great city — in ten years the railroad will have taken the place of the stage-coach, the electric light of the candle; it will abound with all the machinery and improvements that so enormously multiply the effective power of labour. 'Will, in ten years, interest be any higher?' He will tell you 'No!' 'Will the wages of common labour be any higher?' He will tell you 'No!' 'What, then, will be higher?' 'Rent: the value of land. Go, get yourself a piece of ground and hold possession. You may sit down and smoke your pipe; you may lie around like the *lazzaroni* of Naples or the lepers of Mexico; you may go up in a balloon or down a hole in the ground; and without doing one stroke of work, without adding one iota to the wealth of the community, in ten years you will be rich. In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse.'"<sup>2</sup>

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1. *Ibid.*, p.xi.

2. *Ibid.*

Because of the rent, wages are unable to improve. "The reason why, in spite of the increase of production power, wages constantly tend to a minimum which will give a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages."<sup>1</sup> George emphasized that rent is the "receiver of the increased production which material progress gives, but which labor fails to obtain: . . . that the antagonism of interests is not between labor and capital, as is popularly believed, but is in reality between labor and capital on the one side and land ownership on the other."<sup>2</sup>

Rent is the main cause of crises. "A consideration of the manner in which the speculative advance in land values cuts down the earnings of labor and capital and checks production, leads, I think, irresistibly to the conclusion that this is the main cause of those periodical industrial depressions to which every civilized country, and all civilized countries together, seem increasingly liable."<sup>3</sup> The practical result is Henry George's demand: "This, then, is the remedy for the unjust and unequal distribution of wealth apparent in modern civilization, and for all the evils that flow from it: *We must make land common property.*"<sup>4</sup> And the only way to abolish the evil is the single tax. The single-tax plan means the nationalization of rent alone, the ownership of the land itself remaining unaltered.

From the physiocrats to Henry George the land was a main objective of reformatory zeal, and the single tax was somehow related to the *impôt unique* theories.

Henry George's ideas were not inspired by theories but by the American environment—not only that of the United States but of the American continent as a whole. Long before him, similar ideas were preached in Argentina when Rivadavia proposed in 1826 the emphyteutic system.

1. *Ibid.*, p.280.

2. *Ibid.*

3. *Ibid.*, p.225.

4. *Ibid.*, p.326.

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The reaction in academic spheres was, as would be expected, highly unfavorable. Henry George was dismissed as an ignorant radical by most of the academic economists.

"The first attitude of the economists was to ignore George. When George refused to submit to the disdain of silence, his method and his doctrine was passed through a sieve of severe criticism. Among the outstanding critics of George was Francis A. Walker, who, in 1877, two years before the publication of *Progress and Poverty*, had also attacked the wages-fund doctrine and who, following Say, had distinguished profits from interest in order to resolve profits into rent. There were also Alfred Marshall, R. T. Ely, E. R. A. Seligman, F. W. Taussig, E. and W. A. Scott, all of whom turned their attention to refuting the theories of George."<sup>1</sup> J. B. Clark, who felt his indebtedness to Henry George, nevertheless termed his scheme "the quintessence of robbery." The economists abroad paid more attention to Henry George's theories, and especially in Germany he inspired the Bodenreformer. Gustav Schmoller characterized George in almost the same words as those which he applied to Henry C. Carey:

"Je weiter ich aber las, desto mehr gewann mich der Schriftsteller, und zuletzt legte ich das Buch mit dem Gefühle weg, dass hier ein frischer ganzer Mann, dem die neue Welt, das Rauschen des Urwaldes und die kernhafte Kraft des Amerikanertums noch ein ganzes Herz und einen offenen, scharfen Blick gelassen, uns ein Selbstbekenntnis darüber ablegt, was aus einer Mischung solcher Elemente mit der abgelebten Schulweisheit englischer Popularphilosophie werden könne. Ich ward deshalb milder darüber gestimmt, dass der Verfasser mit dem, was er Neues gegenüber der englischen Nationalökonomie bringt, für uns Deutsche zu einem grossen Theil nur offene Thüren einstösst, dass er mit seinen praktischen Vorschlägen in der Hauptsache Kindlich-Unpraktisches verlangt, dass er, einer tieferen wissenschaftlichen Bildung ermangelnd, vielfach doch ganz in den alten

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1. Ernest Teilhac, *op.cit.*, p.118.

Geleisen manchesterlicher Weisheit stecken bleibt."<sup>1</sup> Schmoller felt that George's work "jeden unbefangenen Leser gewinnen wird und mir als klarer Beweis gilt, dass der Verfasser ein ungewöhnlich begabter Denker ist, der in anderer Lebenslage und Stellung wirklich Grosses hätte leisten können. Auch so bleibt das Buch für einen self-made man, der sich vom Druckergesellen zum geachteten Journalisten emporgearbeitet, eine glänzende Leistung."<sup>2</sup>

The man in the street in America read George's books. "This influence of Henry George has been much greater than professional economists are generally willing to admit. . . . He has done more in America to popularize the science of political economy than any other economist. He has imparted to several of our young economists their first impulse toward the study. His vigorous critical attacks upon the wages-fund doctrine and the Malthusian doctrine of population are the outcome of his study of American economic conditions and in line with the work of Carey and Walker."<sup>3</sup> And even Laurence Laughlin, an outspoken opponent of Henry George, had to admit that to him belonged "the credit of having stimulated the interest in Political Economy by his writing to an extent not to be assigned to any other writer in this country."<sup>4</sup> But he explained that "the exceptional circulation of Henry George's *Progress and Poverty* was largely assisted by the fact that its author himself came from the ranks of the workingman."<sup>5</sup>

Simon N. Patten, also an epigon of the romantic national school, was of an entirely different character. A man of great erudition, who studied under Conrad in Halle, well acquainted with the original German historical school, and influenced by the Austrian school, he was strongly affected by the American environment. This son of a pioneer was probably the last great

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1. *Op.cit.*, p.248.

2. *Ibid.*, p.259.

3. Sidney Sherwood, *op.cit.*, p.41.

4. "The Study of Political Economy in the United States," in *Journal of Political Economy*, vol. I (December, 1892), p.13.

5. *Ibid.*, p.3.

optimist in the history of American economical thought. His student and friend Professor Seager considered him "the most original and suggestive economist that America had yet produced."<sup>1</sup>

Patten rejected competition as a proper device for industrial regulation. He rejected cheapness as a criterion of efficiency, and asserted that competition does not lead to the survival of the fittest. For competition he would substitute, in accord with Carey, cooperation and protective devices such as the tariff. He went so far in justifying state intervention that he developed even some ideas of conscious social planning.<sup>2</sup>

The Malthusian doctrine was rejected by Patten, who was rather skeptical regarding all the theories of the classics. "He referred to the conditions observed by Malthus, Mill, and Ricardo as a 'deficit' economy and declared that the laws derived from a 'deficit' economy did not fit a dynamic modern 'surplus' economy."<sup>3</sup>

Like other romantic nationalists, Patten believed that the civilizing influence of industry and commerce was much greater than that of agriculture, and he shared with List the theory of productive forces, emphasizing the importance of production in comparison with exchange. At the same time Patten was under the influence of the Austrian school, and laid great stress on the entire problem of economics from the standpoint of consumption. "With but little if any exaggeration one might say that consumption was to his economics what value was to that of the classicists."<sup>4</sup> His idea of transformation was clearly expressed. He exclaimed: "We live in 1912 but think in terms of 1848."

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1. Introduction to Simon N. Patten's *Essays in Economic Theory* (New York, 1924), p.xi.

2. "The Scope of Political Economy," in *Yale Review* (November, 1893).

3. Joseph J. Spengler, "Population Doctrines in the United States. I. Anti-Malthusianism," in *Journal of Political Economy*, vol.XLI (August, 1933), no.4, p.458.

4. James Lane Boswell, *The Economics of Simon Nelson Patten* (Philadelphia, 1933), p.32.

We find in Brooks Adams another dissenter of this period, an isolated thinker, a sceptical, brilliant, and sincere rebel, neglected by his own and the following generation. He was under the influence of the historical school in his methods, but was rather collectivist, as he called it, in his expectations. His *America's Economic Supremacy*,<sup>1</sup> in spite of all unfulfilled predictions, still makes stimulating, even inspiring reading. His deliberations on the decline of England, the future of centralization in Germany and of collectivization in Russia, his conviction that "the old social equilibrium, which had been established in 1815 upon the fall of Napoleon I, had received its first check in 1870, when Germany consolidated after the overthrow of France; but that the ultimate effects of this shock only began to be apparent twenty years later,"<sup>2</sup> sound today modern and prophetic.

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The real dissenter representing the quest for transformation, and protesting against the Gilded Age, against the triumphant middle class, against entrenched financial and industrial interests, was the neglected farmer of the Middle West and Far West. The South joined him in the quest for cheap money. The old democratic agrarianism challenged the overlordship of the middle class and its custodianship of American democracy, and this protest was expressed chiefly in the form of third-party movements. The American farmer "had long been half middle-class, accounting unearned increment the most profitable crop, and buying and selling land as if it were calico."<sup>3</sup> His discontent was the result of the passing of the frontier. "There is no longer a land of opportunity. It is no longer a poor man's country. We have arrived all too swiftly upon the ways of the Old World."<sup>4</sup>

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1. New York, 1900.

2. *Op.cit.*, p.v.

3. V. L. Parrington, *op.cit.*, vol.III, p.26.

4. Emerson Hough, *The Passing of the Frontier* (New Haven, 1920), p.168.



The farmer was demanding more land and cheap money. The doctrine of cheap money was an economic *leitmotif* of American history in the 1780's, in the 1830's, and after the Civil War. Many features of American history can be understood only as an uprising of landed debtors. Greenbackism, as it was once said, was the American counterpart of radicalism in Europe. As Turner showed, it turned the doctrines of the Western settlers from laissez-faire and individualism to intervention by the national government on behalf of the masses. Not "less government" (Jefferson's term) but more government became the demand. The debtor communities suffering from deflation always emphasized that the issue of currency was a function of sovereignty. Through pressure by third-party movements, the farmer tried to inject such reforms as the initiative and referendum, the recall, the direct primary, and the income tax; and later, influenced by William J. Bryan, he joined with the Democrats in an attack on the excesses of the capitalistic system. The Locofoco movement, the Free Soil Party, the early Republican Party, the Greenback party, the Populist party, the Progressive Party, all emphasized the man rather than the property. The complaint has been that prices of farm products are low, that the farmer's revenue is much less than formerly, and that monopolies are crushing the small producer and taxing the consumer. The farmer started the revolt against Big Business.

Since Civil War days there have been three great political uprisings: the Greenback movement of the seventies, the Populist movement of the eighties and nineties, and the Non-Partisan League movement of the second decade of the twentieth century. The period after the panic of 1873 in particular was marked by a vigorous agrarian attempt to destroy in America the entrenchments of capitalism.

The Granger movement rebelled against the railroads, monopoly, absentee ownership, discrimination; it was the natural protest of a democratic community against the domination of corporate capital. "The Grange began as a conservative farm movement whose principal purposes were to promote the educational and social interests of its members. When the Grange

changed its objective to economic and political reform, the organization began to decline. The Farmers' Alliance had much the same history. But the political influence of the Alliance became much greater than that ever attained by the Grange. However, the period of its political influence was very short. The Alliance exerted considerable influence in the election of 1890, but its decline was rapid after this date. The Alliance was the forerunner of the 'People's Party,' which became the first great farmers' organization in this country."<sup>1</sup>

"To the farmer his enemies were the railroads with their high rates for carriage and their discriminations in favor of the large shippers; the manufacturers who were able to maintain high prices because their wares were protected by a tariff and because they resorted to illegal practices to control prices; the bankers and money-lenders because they refused to lend the farmer money on his crop and because they charged high interest rates on mortgages; the governmental officials because the greater burden of taxation was placed on realty values and not on income or personality. Curb the railroads, check the monopolies, change the system of taxation, make credit easier, erect government elevators and issue warehouse receipts so that grain could be kept out of the market when there was a surplus and yet furnish the farmer with ready cash, and inflate the currency—this was the economic program of the American farmers in the eighties and nineties."<sup>2</sup>

"The West was unsuccessful in its attack on currency and credit abuses. It was unsuccessful in trying to break the monopolistic hold that tariff-protected industries had on the domestic market. But it did gain an outstanding victory in its fight on the railroads and by so doing the first encounter in a long—and not yet finished—engagement was won. The same western discontent which had clamored for greenbacks and free silver and for the curbing of industrial monopoly was responsible for the writing

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1. W. B. Bizzell, *The Green Rising* (New York, 1926), p.170.

2. L. M. Hacker and B. B. Kendrick, *The United States since 1865* (New York, 1933), p.180.

of the first piece of federal legislation of any broad economic significance. The same western states which experimented with railroad legislation in the seventies were the first American commonwealths to begin the writing on their statute books, thirty years later, of those social laws which were to make the fierce struggle of the American economic life at least supportable for the great majority of the country's population. The significance of the Interstate Commerce Act lies in this fact: it was the initial evidence of a conscious drive towards the regulation of Big Business in the interests of society at large. And by the passage of this law, in 1887, the federal government entered upon a career of social legislation whose ramifications were eventually to reach into every field of private endeavor. The laws declaring combinations in restraint of trade illegal, checking unfair business practices, prescribing the length of the working day on the railroads, prohibiting the trading in cotton futures, trying to tax child labor out of existence, requiring workmen's compensation in the case of injury—these were all made possible because the West, in the seventies and eighties, called for governmental interference in the conduct of private industry. The passage of the Interstate Commerce Act indicated that the twilight of individualism in the United States had set in, though it was to turn out to be a long twilight indeed.”<sup>1</sup>

It was the same with the “bill to punish the Trusts” (1890). “It is hard to do other than assume the good faith of the Congress that wrote the Sherman Anti-Trust Law. Popular sentiment was so hostile toward the activities of the trusts of monopolies and demands for relief were so widespread that Senators and Representatives, if they valued their political futures, were compelled to give ear to the complaints of their constituencies.”<sup>2</sup>

But pretty soon the Sherman Law became a dead letter. Trusts and combinations continued to multiply. “In general it may be said that the farmers' organizations and parties stood for increased governmental activity; they scorned the economic and

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1. *Ibid.*, pp.262, 263.

2. *Ibid.*, p.290.

political doctrines of laissez-faire; they believed that the people's governments could and should be used in many ways for promoting the welfare of the people, for assuring social justice, and for restoring or preserving economic as well as political equality. They were pioneers in this field of social politics, but they did not work alone. Independent informers, either singly or in groups, labor organizations and parties, and radicals everywhere cooperated with them."<sup>1</sup>

The agrarian movement did not form a theoretical system, did not produce economists. It was group or man and not individual thought. This trend of thought had no theoreticians but leaders—often brilliant but mostly confused minds, stronger in political strategy than in political economy. To this group belong Ignatius Donnelly, the Minnesota "philosopher," author of the utopian *Caesar's Column*,<sup>2</sup> who was in 1876 the presiding officer of the National Anti-Monopoly Convention that nominated Peter Cooper for president, and who was nominated in 1900 by the People's Party for the vice-presidency. Cooper's economic ideas were simple. He accepted paternalism as a necessary governmental function. "He would have the state build and own the great western railroad systems; he would use the national domain for the benefit of the settler; he would not turn over the state to plunderers nor the resources of the nation to speculators."<sup>3</sup>

The hero of the agrarian movement was, of course, William Jennings Bryan, the darling of the rural masses. An outspoken provincial, anti-urban, a farmer, a Westerner of Southern ancestry, he was devoted to the old American ideals of the Declaration of Independence, and represented Jeffersonian agrarianism. He opposed the pressure of the industrial system and leaped into the anti-tariff campaign, led the silver forces with his "Cross of Gold" speech, ran for the presidency as an "anti-imperialist," and demanded government ownership of railroads.

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1. Solon J. Buck, *The Agrarian Crusade* (New Haven, 1920), pp.199, 200.

2. Chicago, 1890.

3. V. L. Parrington, *op.cit.*, vol.III, p.282.



Genuinely American in the post-Civil War period were the numerous utopian dreams, expressing the dissatisfaction of the common man with the state of things. Here the quest for transformation was dramatically emphasized. Prior to the Civil War this country experimented in utopian communities; after the Civil War, with the vanishing frontier and triumphant capitalism, the common man could experiment only in dreams. The search for utopias became a pathetic, never-ending adventure, and at the same time a living manifestation of American consciousness striving toward transformation. But sometimes the adherents of conservation also put their ideals in utopian clothes. All these utopias were a reflex of worldly quarrels, and their proponents were naive, sentimental, modern, rational, optimistic, theologically inclined, sectional, national. Most of them disliked formal economic science and subscribed prevailingly to association and cooperative ideas, often in combination with individualism and private initiative. They were strongly impressed by the recurrence of hard times, and searched for permanent prosperity. Most of them were highly imaginative in regard to epoch-making inventions. They criticized the current doctrines and practice of rent, population, money and banking, trust and monopoly, and soon presented their positive construction of transformed commonwealths, based on the *Weltanschauung* of the individual writers. Almost all of their writings were from a literary viewpoint dull and monotonous.

The chronology of utopian writings is worthy of special interest. There were four before the eighties; fifty-five in the last twenty years of the nineteenth century, forty-seven of them following Bellamy's book; and fifty-four in the first thirty years of the present century, thirty-seven of them published in the pre-First World War era. The Spanish-American War saw the end of the first flood of utopias, the First World War the end of the second. The feverish development of American industrialism in the United States during the last quarter of the nineteenth century deeply impressed the public mind, and presaged the character of the opening years of the twentieth.

As we approach the end of the last century, utopian writings

become more frequent, beginning with 1880. The second half of the eighties witnessed a veritable torrent of this type of literature. These romances were no longer isolated, but were connected with one another. It became fashionable at that time to use the novel form to introduce discussions of contemporary social problems, as well as polemics between socialists and their opponents. In considering these utopias it is well to remember that their dates of production are contemporary with the rapid overnight growth of American industrial giants, the first awakening of a working-class consciousness, the feverish agitation of the farmers, anti-monopoly propaganda, and the discussion of monetary inflation.

The change was sweeping, and of universal influences. Perplexed by the new and profound social problems, and lacking a solution, these writers took long flights abridging space and time to find relief from their present ills on some distant planet or several centuries in the future. In the realm of fancy they set sail on voyages of exploration in search of improved economic and social conditions. The rise of manufactures in the country had its parallel in the increased production of social schemes, ideals of a new social architecture. Communication between the United States and the utopian commonwealths became more frequent in the eighties; it no longer consisted of occasional trips.

But the *Zeitgeist* never abandoned the utopians; they transferred their domestic problems to utopian islands, whose eternal peace became disturbed by the noise arising from the single-tax issue, trusts and chain stores, strikes and bimetallism. Reading this flood of romances one cannot help feeling at times that he is glimpsing the chapters of a textbook on American economic history. They often seem to be treatises on economics written in the form of novels. I refer the reader to my work, *Social Utopias in American Literature*,<sup>1</sup> where I undertook a special study of this field.

The most important and influential social utopia was certainly that presented in Ralph Bellamy's *Looking Backward*.<sup>2</sup> The

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1. *International Review for Social History* (Amsterdam, 1938), vol.III.

2. Boston, 1888.

secret of its unusual success was that the author gave expression to ideas which were then in the air. William D. Howells emphasized this point in his prefatory sketch to Bellamy's *Blindman's World*, published in Boston in 1898. "Somehow, whether he *knew* or not, he unerringly felt how the average man would feel." He was a leader in the quest for utopias at that time.

The "cooperative nationalism" of Bellamy is a continuation of the ideas expressed by Lawrence Gronlund in his *Cooperative Commonwealth*,<sup>1</sup> invigorated by German Marxism and affected by the noble influence of the great Concord school. Bellamy's importance consists in the fact that the influence of his book echoed throughout the world. Whereas Plato numbered his readers in his lifetime by hundreds, and Moore could count his by thousands, Bellamy could reckon his by hundreds of thousands. A million copies were sold in a short time; so-called Bellamy Clubs grew up all over the country. Even in Europe it was the first utopia to achieve real popularity. It was one of the first descriptions of the state-socialist organization, although for the American public Bellamy applied to it the innocuous epithet of "nationalism." He did not blame the machine and industrialism, but he wanted to make them useful to every class of society.

*Looking Backward* became the center as well as the point of departure of new utopian productions. Writers of every description tried their hand at them. Gynecologists and advocates of cooperative enterprises were the opposite poles of this picturesque society, where only scholars and statesmen seldom had entrance. In the main, however, the memory of these utopias did not survive, Bellamy's *Equality* (1897) not excepted. His work was sentimental, but it was not tragically conceived melo-drama. His contempt for professional economists was marked. Bellamy was considered "a social inventor." The "nationalist" movement was the result of his ideas.

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1. Boston, 1884.

The utopias following immediately upon *Looking Backward* were mostly either pro- or anti-Bellamy. The decade 1890-1900 showed the largest crop in this field.

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No permanent labor movement was formed in America until after the Civil War. The various workingmen's parties that flourished for brief intervals prior to that time were diverted into popular reform movements for universal suffrage and free public education, into agrarian movements for free distribution of small homesteads from public lands, into the utopian socialist experiments under bourgeois leadership during the thirties and forties, and the anti-slavery agitation that overwhelmed all other issues in the decade or so prior to the Civil War. The growth of the factory system after the Civil War resulted in the introduction of the problems of organized labor.

The emancipation of the slaves contributed to the formation of a labor class, but the frontier still retarded socialist tendencies. Wage labor was more a temporary condition than a permanent institution prior to the vanishing of the frontier. The safety-valve effect of the frontier gave every labor movement a temporary character; as a matter of fact, labor was scarce and had exerted for many decades in the nineteenth century a quasi-monopoly. In 1870 the supply of labor was still inadequate to the demand, and the working class was to a certain extent the privileged minority. In 1870 strikes and lockouts were hardly known; but between 1881 and 1894 the country witnessed over fourteen thousand contests between capital and labor.

Marx explained this new spirit in terms of the fact that immigration was now depositing workers in the industrial centers faster than the Western lands could drain them off; that the Civil War had left behind it a colossal debt and burden of taxation and had created "a financial aristocracy of the meanest kind"; and that the public lands were being gobbled up by speculators



and railway and mining companies at a headlong pace.<sup>1</sup> But the formation of a unified working class was still handicapped by division into skilled and unskilled labor; this division was intensified by the fact that it tended to coincide with the division into native and foreign-born, and increased the particularism of the skilled crafts; it was also handicapped by the constant class fluidity and the predominant role of the rural population. This large rural population, which contained the most revolutionary group — the farmers — was outside of the labor movement and was constantly tempted to organize for itself.

The European laborer as well as the European capitalist developed from the small manufacturer of the seventeenth and eighteenth centuries; this was a class-conscious organic growth. In the United States both laborer and capitalist appeared overnight without any class traditions. But the workers in the United States have not had to fight for political freedom, as was the case in Europe. During the period under discussion the working class in this country had no historic background or traditions, but possessed (or acquired) the robust individualist spirit created by the frontier.

While the labor class in Europe joined the ranks of socialism, rejecting the idea of the possibility of harmony between classes and demanding an overthrow of society, the belief in the possibility of such a harmony was typical of American thought. The Anglo-Saxons, generally speaking, did not give birth to great socialist theories. Their individualist trend is possibly responsible for this, as well as the fact that their labor movement adopted first the form of trade unionism, while in continental Europe socialist theories preceded the formation of trade unions.

On the continent of Europe (in most countries), the Socialist movement developed as a mass movement prior to the consolidation of the trade-unions, and the unions began with a socialist philosophy. In America (as in England), for historical reasons, the unions developed first, while the Socialist move-

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1. B. Wolfe, *Marx and America* (New York, 1934), p.19.

ments were impotent sects or non-existent. Therefore the unions developed on the basis of bourgeois ideology and the subordination of the working class to capitalist politics. Hence Marx and Engels emphasized the need for a mass labor party, "no matter what its first form," as the "real starting point of American working class development."<sup>1</sup>

The Knights of Labor, an organization formed in 1869, rose spectacularly to great importance and then descended almost as rapidly into oblivion. Its objects, as put forth in its constitution, were "to bring within the folds of organization every department of productive industry, making knowledge a standpoint for action, and industrial and moral worth, not wealth, the true standard of national greatness." The program of this organization was a rare combination of idealism and realism. It was based on the brotherhood of all labor, or what has come to be called "the one big union," a general labor organization. Both skilled and unskilled labor, and even employers, if they were also workers, were eligible for membership. The bargaining power of the skilled workers was to be used as a weapon to gain concessions for all. The Knights reached their greatest strength and influence in 1888, after which their decline was rapid. Because their first strikes had been successful, the power of the organization was feared and respected. A later series of unsuccessful strikes, however, materially reduced the strength of the body and weakened the prestige of its officials. In addition, continual internal strife resulted from factual dissension over the place of the national trade union in the structure of the labor movement. Finally, with the growth of the American Federation of Labor, the Knights of Labor ceased to function as an active organization.

The American Federation of Labor, formed in 1881, was organized on a basis of autonomy for the national trade union. In contrast to the highly centralized Knights of Labor, the Federation was a loose combination of national trade unions. Its purpose was to unite skilled labor for mutual assistance, financial, educational, and political, mainly on the craft basis. However, the

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1. B. Wolfe, *op.cit.*, pp.24, 25.

powerful railroad unions remained outside of the Federation.

In contrast with English experience, the American labor movement, while under the leadership of the American Federation of Labor, refrained from forming a labor party. Its political activity was confined to promoting the election of its political friends and opposing its enemies. The lobbies of the Federation in Congress and the various state legislatures constituted important factors in shaping the course of legislation to the advantage of labor. Most of the Federation's policies can be traced to Samuel Gompers, who served as president, with the exception of one year, from 1882 until his death in 1924.

The membership of the American Federation of Labor has fluctuated during different periods of its history. An increase from a little over 200,000 members in 1890 to 550,000 in 1900, and to nearly 2,000,000 in 1914, is an imposing record of growth. During the First World War the unions that constitute the Federation made substantial gains. The scarcity of labor brought wage increases. Under such conditions, the membership rose to over 4,000,000. This gain, however, was not permanent, for in the reaction following the armistice many employers struggled successfully to rid themselves of organizations which they felt had been forced upon them during extraordinary times. By 1926 the membership had fallen to about 2,750,000.<sup>1</sup>

"Throughout his career as President of the American Federation of Labor, Gompers adhered with tenacity to certain principles laid down in the beginning. Whatever he may have thought about the future of capitalist society—in his early life he had socialist leanings—he made from the housetops no call for revolution. Practically, he accepted the capitalist order and concentrated his efforts on high wages, short hours, and favorable conditions of labor within its metes and bounds. In short, he sought to make labor a contented and prosperous partner of business in the American system of acquisition and enjoyment."<sup>2</sup>

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1. George Matthews Modlin and Frank Traver de Vyver, *Development of Economic Society*, in the series "Economics and Social Institutions," vol.I (Boston, 1937), pp.416, 417.

2. Charles A. and Mary R. Beard, *op.cit.*, vol.II, pp.224, 225.

The dominating school of economics did not approve of the labor movement, even in its American form. "The great strike on Jay Gould's southwestern railroad system resulted in bloodshed, but in the eyes of Taussig of Harvard 'the men were endeavoring to secure a share in management beyond that for which they were qualified. The slow and steady movement of society has evolved something like a military organization. The rank and file are assigned their duties and their places by the captains of industry.' Newcomb held that any restriction of the great possessors of property must result in the disappearance of property and thus of civilization. The workers were admonished that in joining unions they were giving up the 'one natural right of humanity which the most heartless tyrant never dared to deny... that of every man to make an honest living in his own way, by any reputable pursuit he chooses to follow.' The surrender of 'individual liberty was not a whit better than an involuntary slavery.' 'Never was a tyrant, never was a public enemy, seldom was an invading army, engaged in greater cruelty' than that involved in a strike order. Labourers must realize that 'our natural progress towards a healthy social state is retarded by the prevalence of false theories which permeate society and control legislation.' Any economist who did not have essentially this attitude on the labour question was not a good economist. The conservative Henry Carter Adams was dismissed from Cornell in 1886 because a report of an address on the 'Labour Problem' gave to an influential trustee the impression that he was 'sapping the foundations of our society.'"<sup>1</sup>

It is not surprising that American economic thought produced nothing original or of importance in this period in the field of socialism. The official political economy, representing capitalist interests, was English-Austrian; the socialist protest against this political economy was imported from Germany and directed by immigrants. Only since the beginning of the twentieth century is the leadership in socialism being transferred into native-born hands. Socialism had no deep roots in American

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1. Joseph Dorfman, *Thorstein Veblen and His America* (New York, 1937), pp.60-61.



soil in the nineteenth century, in spite of the numerous publications, discussions, and parties—and of the rising labor movement.

A new development was started by the Industrial Workers of the World organized in 1905. It was a combination of American trade unionism with the ideology and practice of syndicalism. It originated as a result of dissatisfaction with the A.F. of L. and craft unionism. The basic idea of the I.W.W. was that of "forming the structure of the new society within the shell of the old." The industrial unions, parallel to the integration of industry, would become the foundation of the future socialist society. The I.W.W. found response among casual, migratory and unskilled workers and some of the immigrants—groups not covered by the A.F. of L.—; it was strongest among the dockworkers, regionally on the Pacific coast and in the wheat belt. While as an organization the I.W.W. has always been rather small and weak, and after the militant years of 1905-1912 began to lose its importance, its leaders and especially De Leon brought some new theoretical thought into the socialistic camp.

The reader should not expect to find in these pages even a sketch of a history of socialism in the United States, although such an attempt would be extremely timely. The excellent study by John H. Noyes<sup>1</sup> is rather antiquated, as is the later one by Morris Hilquitt;<sup>2</sup> furthermore, the latter is substantially inferior to Noyes's. Sombart's pamphlet, published many years ago, is still the best;<sup>3</sup> a very stimulating brief outline was published by Bertram Wolfe.<sup>4</sup>

The development of imported socialist theories in this country showed some peculiar features distinguishing it from that in Europe—principally the outspoken contempt for theory. The United States has produced no original work in this field. "The roots of American 'contempt for theory' lie in the fact that the theories imported from Europe, and distilled from European

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1. *History of American Socialism* (Philadelphia, 1870).

2. *History of Socialism in the United States* (New York, 1903).

3. *Op.cit.*

4. *Op.cit.*

practice and experience, were hopelessly at variance with the practical conditions of this new country, with such different (colonial and pioneer) conditions and such vast extents of free land."<sup>1</sup>

Simon N. Patten emphasized another distinction: "American socialists are not scientific socialists of the type Marx sought to create. Every leading socialistic writer is clearly idealistic in his attitude and would repudiate socialism if it were put in a materialistic shape. Sentimental socialism today is a new form of expressing idealistic concepts."<sup>2</sup>

The imported socialism adopted also an ethical, theological coloring, and tolerated (and sometimes introduced) Christian ethical aspects contrary to the doctrinaire abstract and causal speculations of the German Socialists. On the other hand, the entire problem of socialist reconstruction became simplified in the minds of the American people. They decided that if public ownership under capitalism is merely an extension of capitalist ownership, let the nation own the trusts. This slogan appealed to the people at large and was accepted by the third parties.

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Of the thirteen presidents of the country from Abraham Lincoln to Woodrow Wilson, only two were Democrats. The remaining eleven were Republicans. Six called the state of Ohio their birthplace. The ideas of laissez-faire of the triumphant middle class dominated the administration of most of the presidents; with few exceptions they were followers of the Principle of Conservation. By upholding protection and respecting the quest for cheap money, by a refusal or inability to cope with monopoly and railroad abuses, the central government had shown its willingness to subscribe to the doctrines of middle-class economics. Exceptions were few: the Republican Abraham Lincoln, who combined the old equalitarian ideas of the West with sympathy for new industrial economics; the Republican Theodore Roosevelt, whose "imperialism" was national and not of a class, and who declared himself against Big Business; the Democrat Woodrow Wilson, whose

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1. B. Wolfe, *op.cit.*, p.21.

2. *The Reconstruction of Economic Thought*, p.8.

broad humanitarianism led him from "New Democracy" to the fight for world democracy. The transformational ideas of each of these exceptions were of a peculiar character.

Lincoln had no complaint to make against the spirit of enterprise. "The ideal of progress was associated in his mind with a fluid economics that permitted the capable to rise through skillful exploitation. He had no love for the stable economics of the eighteenth century that Jackson preferred; the profit motive, functioning freely, he regarded as a legitimate driving force of society; but he was concerned that competition should be open to all on equal terms. As he watched the transition from an agrarian to an industrial order, he found himself more in sympathy with the new than the old."<sup>1</sup>

Theodore Roosevelt emphasized best Lincoln's trend of thought. In his brilliant speech at Osawatimie he declared:

"Of that generation of men, to whom we owe most is; of course, Lincoln. Part of our debt to him is because he forecast our present struggle and saw the way out. He said: 'I hold that while man exists it is his duty to improve not only his own condition but to assist in ameliorating mankind.' And again: 'Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is superior of capital, and deserves much the higher consideration.' If that remark was original with me, I should be even more strongly denounced as a communist agitator than I shall be anyhow. It is Lincoln's. I am only quoting it; and that is one side; that is the side the capitalist should hear. Now, let the workingman hear his side: 'Capital has its rights, which are as worthy of protection as any other rights. . . Nor should this lead to a war upon the owners of property. Property is the fruit of labor; . . . property is desirable; is a positive good in the world.' And then comes a thoroughly Lincolnlike sentence: 'Let not him who is houseless pull down the house of another; but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence when built.' It seems to me that, in these words, Lincoln

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1. V. L. Parrington, *op.cit.*, vol.II, p.154.

took substantially the attitude that we ought to take; he showed the proper sense of proportion in his relative estimates of capital and labor, of human rights and property rights."<sup>1</sup>

Theodore Roosevelt considered that the prevailing system was essentially sound; he believed in "natural economic forces," but had no love for "malefactors of great wealth," and expressed statements like "The railway is a public servant." In a series of public addresses he outlined his program for government regulation of industry. He insisted on publicity for corporate business, enforcement of the Sherman Anti-Trust Law, and so on. The evolution of his policy brought Roosevelt to the idea of stressing the necessity of keeping business prosperous, but dividing that prosperity with the workers through wages and with the consumer by reasonable prices. He was "against crooked business, big or little."

"That Theodore Roosevelt should give presidential leadership to this discontent was surprising. He was a member of a New York family which had both an assured financial income and social position. To be sure, in his public life he had been associated with reform in its more respectable aspects, but for most liberal and radical thinking he cherished a great dislike. For the 'mugwumps,' the progressive element in his own party, for Bryan, La Follette, Hearst, he expressed a picturesque and vigorous disfavor. Although he lived in the West, the role of the rancher had given him little opportunity to understand the radical ideas of the western farmers. His later hostility to some forms of wealth and business was brought about by his nationalism. He saw the purity and existence of democratic government menaced by the relations of business and government. In the second place he approached most problems from the angle of morality."<sup>2</sup>

Roosevelt's discontent and transformational ideas originated in his experience of frontier life. He mentioned himself: "For a number of years I spent most of my time on the frontier, and lived and worked like any other frontiersman. The men who have shared in the fast vanishing frontier life of the present feel a pe-

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1. *The New Nationalism* (New York, 1911), pp.8, 9.

2. Edward C. Kirkland, *A History of American Economic Life* (New York, 1932), p.633.



culiar sympathy with the already long-vanished frontier life of the past."<sup>1</sup>

This man was the embodiment of the movement away from *laissez-faire*, and here lies his "Americanism," as well as in his distinction between public and private wealth: his New Nationalism puts the national need before sectional, class, or personal advantages. Finally, his "imperialism" was an attempt to revise and extend on a continental scale the vanished frontier movement. Describing the triumphs in the domain of production due to the technological progress in the nineteenth century, Roosevelt emphasized that "the most pressing problems that confront the present century are not concerned with the material production of wealth, but with its distribution."<sup>2</sup>

Theodore Roosevelt's entire economic philosophy is best expressed in the following passage: "I am for men and not for property, as you were in the Civil War. I am far from underestimating the importance of dividends; but I rank dividends below human character. Again, I do not have any sympathy with the reformer who says he does not care for dividends. Of course, economic welfare is necessary, for a man must pull his own weight and be able to support his family. I know well that the reformers must not bring upon the people economic ruin, or the reforms themselves will go down in ruin. But we must be ready to face temporary disaster, whether or not brought on by those who will war against us to the knife. Those who oppose all reform will do well to remember that ruin in its worst form is inevitable if our national life brings us nothing better than swollen fortunes for the few and the triumph in both politics and business of a sordid and selfish materialism."<sup>3</sup>

Woodrow Wilson's strong transformational ideas were expressed in his *New Freedom*. His speeches present a harmonious combination of both the disciplines of this "professor of jurisprudence and political economy." "He pictured the growth of combination and of combinations of combinations through bank-

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1. *The Winning of the West* (New York and London, 1894), vol.I, p.xiv.

2. *The New Nationalism*, pp.125, 126.

3. *Ibid.*, p.28.

ing alliances: 'A trust is an arrangement to get rid of competition, and a big business is a business that has survived competition by conquering in the field of intelligence and economy. A trust does not bring efficiency to the aid of business; it *buys efficiency out of business*. I am for big business, and I am against the trusts. Any man who can survive by his brains, any man who can put others out of the business by making the thing cheaper to the consumer at the same time that he is increasing its intrinsic value and quality, I take off my hat to.' To the objection that the restoration of competition fails to 'observe the actual happenings of the last decades in this country; because they say it is just free competition that has made it possible for the big business to crush the little, Wilson replied: 'It is not free competition that has done that; it is illicit competition. It is competition of the kind that the law ought to stop, and can stop, — this crushing of the little man.' Wilson claimed that the prohibition of unfair competition would actually liberate the energies of the people by giving to outsiders, small producers and investors, the chance to show their true worth. Although this thinking seems to smack of the good and bad trust creed, it differed essentially from Roosevelt's thought in its interpretation of the past, in its emphasis, and in the policy to be pursued. Like Roosevelt, Wilson had abandoned the mere idea of trust busting. Unlike Roosevelt, he regarded the state of competition as more normal than that of monopoly and he proposed to regulate the methods of the former rather than the practices of the latter. The policy was to be preventive rather than curative.

In 1914 a Democratic Congress to which Wilson gave vigorous and continual leadership passed the Clayton Anti-Trust Act and the Federal Trade Commission Act."<sup>1</sup>

But all Wilson's transformational ideas were soon pushed into the background by the First World War. He belongs to the period when the country found itself at the crossroads.

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1. Edward C. Kirkland, *op.cit.*, pp.640, 641.

## AMERICA AT THE CROSSROADS

THE extensive frontier movement reached its limit in the last quarter of the nineteenth century. The pre-First World War era saw this country economically no longer colonial but completely Westernized. The immense speed and energy of the economic process was stimulated in the nineteenth century by the gigantic frontier movement on a continental scale, constantly creating new domestic markets. The incessant flood of immigration had the same market-creating effect. Rapidly progressing industrialization stimulated external political and economic expansion, partly replacing the frontier movement. The peculiar position of the United States which enabled her to reap rich profits from the First World War boom resulted in a temporary conquest of world markets, rendering unimportant her drastic limitation of immigration. A new industrial revolution originated in this environment. The economic organization of the country was taking new forms. If we compare this period with that after the Civil War, we may say that the bond salesman replaced Jay Cooke in the same way as Jay Cooke replaced Robert Morris. The financial factor became dominant and prevailing; it adopted an impersonal, standardized form, based on the meanwhile highly developed mass moment of the American economy.

The First World War strengthened materially America's role on the world stage, eased the market problem, creating unexpected outlets, and accelerated industrialization. Politically, the entrance of the United States into the war was a kind of return to the Old World after a century of isolation. But it was a short episode of internationalism, or rather of international idealism, having, of course, a fairly strong economic foundation.

The events in this country after the First World War are still fresh in our memory. This period embraced the mirage of eternal

prosperity and the reality of boundless depression, and will appear to the future historian as an act in a rapid and crowded drama. This is not the place to describe and analyze the changes. My interpretation leads to the conception that the United States, being a part of Western civilization, is suffering from the universal conflict between the economic process and its form. The trends of the changing economic form became clearly visible in this country; to a lesser degree than in Russia, Germany, or Italy, we witness the same tendency toward a purposive, controlled economy.

Of course we can see attempts to retard this movement, to restore or substitute the moments responsible for the capitalistic development of the country in the nineteenth century. The political expansion of the first quarter of the twentieth century was replaced in this country in the first decade of the second quarter by fresh efforts at reviving the internal frontier movement. This found expression in enterprises like the Tennessee Valley experiment, where land improvement goes hand in hand with the production of cheap electric power and better housing, in strenuous efforts to colonize Alaska, in land reclamation, and so on. But the technological, psychological, and political conditions and atmosphere are irresistibly driving the country from the highways of the competitive system.

As a result of the new trends, the formerly triumphant middle class, the bourgeois, is in the process of decay in the United States even if in lesser degree than in other parts of Western civilization. The captain of industry is no longer on a pedestal, and the capitalist is embittered. The common man, the masses, are becoming more conscious of their needs, aims, and potentialities.

The period after and ever since the First World War has been one of economic transition on a world scale, and, as Patten once remarked, "periods of transition thus tend to revise a host of discarded ideas, which are so blended with really new ideas that they seem to have one origin. All sorts of crazes and 'isms' appear



and obscure the real issues.”<sup>1</sup> Since the First World War, American economic thought has fluctuated more sharply than ever between the principles of conservation and those of transformation. S. E. Morison deplors that “the United States has evolved from a country of political experiment, a debtor to Europe, a radical disturber of established government, the hope of the oppressed and an inspiration to all men everywhere who wished to be free, into a wealthy and conservative country, the world’s banker and stabilizer, the most powerful enemy to change and revolution.”<sup>2</sup>

Morison seems to have overlooked the outspoken presence and growth of the transformation idea. It is correct that the *beati possidentes*, adherents of the *status quo*, profiteers of the war and the after-war “dance of the millions,” as well as the entire capitalistic society as such, strongly adhered to their acquisitive ideas and expressed a religious belief in and a passionate striving for permanent prosperity, for the American miracle of crisisless prosperity. That was the silent religion of Calvin Coolidge and the declamatory one of Herbert Hoover. In *American Industrialism*, published before his election in 1922, Hoover wrote: “To curb the forces in business which would destroy equality of opportunity and yet to maintain the initiative and creative faculties of our people are the twin objects we must attain. To preserve the former we must regulate that type of activity which would dominate. To preserve the latter the Government must keep out of production and distribution of commodities and services.”

The battle of these principles was concentrated rather in economic policy than in theory. Even in theoretical discussions it took rather technical forms, and interested itself in matters of application more than in those of doctrine. The theoretical reaction to the neo-classics found its expression in the teachings of the institutionalists, stimulated by Thorstein Veblen, and in those of the technocrats, who — from a different angle — were also inspired by Veblen.

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1. *The Development of English Thought* (New York, 1899), p.49.

2. *An Hour of American History* (Philadelphia, 1929), p.155.

The weakening of the middle class and the rise of the masses laid the foundation of a revolt against the principle of conservation, a revolt independent of the theoretical reaction. This revolt demanded transformation, and found its expression in the doctrine of the New Deal, represented by Franklin D. Roosevelt. It emphasized not the acquisitive but the creative moment of economic activity, and discovered itself in this regard in accord with some of the representatives of the old American romantic national school.

The New Deal is politically connected with previous democratic revolts — the Jeffersonian and Jacksonian; but at the same time it is an American phase of the search for a new economic form. It is the old conflict between the interests of the common man and those of the privileged classes, between Jeffersonian and Hamiltonian principles, but transferred into the technological and social environment of the twentieth century, with the contemporary follower of Jefferson applying Hamiltonian methods. The agrarian masses accepted the New Deal, and the quest for a third party became less vigorous in the period under discussion. But the rise of the working masses led to an intensification of the socialist movement in the country, a movement no longer based on imported ideas of immigrants, but finding fertile soil in the contemporary conditions of American life. This movement became weakened by the débacle of moderate socialism in Europe, and strengthened by the daring experiment in Russia.

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As the House of Walker typified the transition of the Civil War period, so the House of Clark typified that of the World War. J. B. Clark was a product and type of the late nineteenth century as his son, J. Maurice Clark, was of the early twentieth. The First World War is the demarkation line between these two generations. The evolution of thought of the academic economists can best be characterized by a comparison between the philosophies of the two Clarks. Both were rather mild representatives — the

father of the principle of conservation, the son of that of transformation.

It was Suranyi-Unger who emphasized the parallelism between the older and the younger Clark. The former, he writes, "considered the widest perspectives of economic phenomena, dealt with them from the deductive side, and produced thereby a pleasing, optimistic, an abstract-deductive system. His son, who entered upon his scientific career with the purpose of further developing his father's thoughts, could not free himself from the influence of a new tendency which had meanwhile arisen and had to admit that economic theory should be based on the results of the 'new psychology.' The first quarter of the twentieth century begins in American economics with the great work on distribution of the older Clark, and closes with his son's work on the theory of production, which is perhaps of no less importance. The great change which has taken place since then in the science of the new world, is clearly reflected in the general spirit of these two books. At the present moment scholars are again devoting their attention to the investigation of facts: the younger Clark starts again with an exact investigation of the most minute relationship of real economic life, as it appears in present-day questions of economics and sociology, and from here arrives, by means of gradual induction, at the knowledge of more general truths. The radical wing of young institutionalism rejects all theory that is based on deduction, and especially the whole hedonistic and utilitarian structure of classical American economics which the older Clark and his group took such pains to build, and proceeds to investigate the laws of historical development of economic institutions and their complicated and constantly changing relationships to the practical economic behaviour of mankind."<sup>1</sup>

A slight change took place in the work of the orthodox academic economists after the First World War. Some of the economists searched for an escape in legal refinement and mathematical

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1. *Economics in the Twentieth Century*, pp.327, 328.

simplifications; others escaped in voluminous fact-finding research and descriptive work. The main trend remained unchanged. Taussig continued to teach as he had in the seventies, eighties, and nineties of the last century. The "describers" continued to issue more and more volumes in which they combined modern methods of work with an antiquated mentality.

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In the meantime, growing opposition to the neo-classics found its source and inspiration in the writings of Thorstein Veblen. Chronologically he belonged partly to the pre-war period, but his influence began to show itself only during the war. As one follows the career of this great thinker, a sense of the tragic failure of his life deepens. He was a man built in every way on a large pattern. His unfortunate academic experiences and his peculiarly complicated and heavy style were responsible for the tardy recognition which he received. But would economics have gained more if Veblen had been a full-fledged professor? This son of Norwegian immigrants, who grew up in the agrarian atmosphere of the Middle West, absorbed the spirit of protest against the capitalist form of economy and its abuses. He lived in the atmosphere of greenback propaganda, but he developed into a philosopher and economist and not a populist or a third-party agitator.

Dorfman gave an effective portrait of a young Veblen against the background of the discontent in the West,<sup>1</sup> but he considered him as a *deus ex machina* phenomenon in the history of American thought, while Veblen was in reality — knowingly or unknowingly — the continuation of the idea of discontent. J. M. Clark emphasized this element. "Orthodox economics," he wrote, "undertakes to interpret equilibrium; Veblen undertakes to interpret progressive change. And in the social world this is much the same as saying that orthodox economics studies the as-

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1. *Op.cit.*



assumptions of contentment while Veblen studies the assumption of discontent."<sup>1</sup>

*Carleton Cole*

Veblen studied at Clareton under young J. B. Clark, who was at that time conceiving the ideas of his "Philosophy of Wealth," at Johns Hopkins under Ely, the representative of the historical school, at Yale under Sumner, the arch-conservative adherent of laissez-faire, and at Cornell under Laughlin, for whom the classics were gospel; but none of these teachers influenced his thought. It is generally accepted that the Chicago school of pragmatism and the psychological teaching first formulated by Peirce and developed by John Dewey contributed largely to the formation of Veblen's doctrines. He condemned the mesh of subtleties in which the orthodox economists had become involved. He did not follow them in abstract study and the analysis of phenomena of value, and so on. His attention was directed toward the change of institutions, toward the clarifying and interpretation of the substance and essentials of institutions. He was an evolutionist *par sang* in his study of imperial Germany and the growth of Japan, and in his investigation of the role of the engineer, of the leisure class, and of the absentee owner.

"The problem which worried Marshall, but which he could not subdue, the changefulness of human institutions, Veblen places at the center of his scheme of thought. If, as he postulates, institutional change is 'normal,' then all forms of normality postulated upon the fixity of institutions disappear. If one accepts that position, then the whole character of his social theory must depart from the customary types of economic speculation.

"The Veblenian idea that has been widely accepted among the younger generation of economists is that economic life is part of an evolutionary process, and that the function of economic theory is to throw light upon the process."<sup>2</sup>

Veblen opposed the classic traditional tendency to take institutions for granted and to reduce human nature to a matter of

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1. "The Socializing of Theoretical Economics," in *The Trend of Economics*, p.85.

2. Paul T. Homan, *op.cit.*, p.182.

rational calculation, and insisted on a realistic view of human nature so far as modern psychology throws light upon it, and on investigating the origin and nature of the institutions through which the economic side of the life process functions.

This thinker considers the conception of the optimistic trend and the possibility of social harmony as metaphysical and of theological origin, related to the eighteenth-century philosophers who believed in the beneficent working out of immutable laws of nature. He vigorously attacked the neo-classical and marginal systems of economic thought. In his criticism of present dominating institutions he never took the role of a prophet. He foresaw and emphasized that transformation is inevitable, but, like Karl Marx, he did not try to describe the economic system of the future, and did not attempt to construct ideal institutions. His theory was that *πάντα ῥεῖ*: Nothing is absolute, stable, eternal; everything is transitional, relative, temporary.<sup>1</sup>

Veblen was fundamentally destructive in his work. He was opposed not only to the neo-classics. "Nor can Veblen find anything much more favorable to say of the Historical or the Marxian schools of thought. The early historical economists, as represented by Roscher, he considers to have proceeded on a tacit assumption of Hegelian metaphysics, regarding history as a self-realizing life process, active, self-determining, unfolding by inner necessity. His search for the laws of this spiritual unfolding on its economic side resulted in nothing better than the view that cul-

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1. Schumpeter, once mentioning Veblen in a footnote, accused him of insufficient knowledge of theory: "Dieses Beispiel illustriert denn auch *Veblens* Aeussierung (*American Economic Review*, XV, I, S. 51), dass die heutige Generation von Nationalökonomern, 'confidently' an ihre Detailforschung gehe ohne viel Hilfe von 'general principles,' es seien denn die Prinzipien des 'common sense,' der Mathematik und allgemeiner Information. Das tut sie, gewiss. Und die Folge davon ist eben Kraftvergeudung. Verwunderlich ist nur, dass er die Mathematik gelten lässt. Warum nicht auch diese durch 'common sense' ersetzen? *Veblens* 'theory of the leisure classes' beweist ausreichend, dass er selbst erstens der Theorie nicht entraten kann, zweitens mehr davon brauchen könnte." "Gustav v. Schmoller und die Probleme von heute," in *Schmollers Jahrbuch*, 50. Jahrgang, Heft 3 (1926), p.37. I am not sure that Veblen saw any justification at all for economic theory in the orthodox (neo-classic) sense of the word.

ture moves in cycles, together with a few rather vague or obvious generalizations about cultural sequences. The later branch, as represented by Wagner, is not occupied with theoretical work, taking over such doctrines as it needs from classical economics. For the other branch, as represented by Schmoller, Veblen entertains a considerable respect, particularly as regards his examination of the origins of economic institutions. He feels, however, that Schmoller fails to give any adequate scientific treatment of more recent economic phenomena and of the cultural influences which have shaped them.

"The economic doctrines of Karl Marx are conceived to be vitiated by much the same defect as classical economics in that they are merely logical deductions from untenable premises."<sup>1</sup>

Veblen's fundamental theme—the antinomy between "business" and "industry"—was in accord with the distinction between "acquisitive" and "creative" principles made by the American romantic national school. But this distinction developed in Veblen not only as an influence of native conditions but mainly as a result of his logical observationism.<sup>2</sup>

Was Veblen a scientist? A. A. Young once declared that "Veblen is a man of genius, but the term scientist does not fit him. He is something that may be as good or better: an artist, an impressionist, painting the picture of the world as he sees it."<sup>3</sup> But if we have to consider economics as an art, Veblen was certainly more an economist than those who pretended and pretend to be scientists.

H. J. Davenport developed in some directions a certain similarity of ideas with Thorstein Veblen. He declared himself "rather a conservative than an innovator"; he disclaimed "all theoretical sympathies" with the socialists;<sup>4</sup> for him economics was "the science that treats phenomena from the standpoint of

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1. Paul T. Homan, *op.cit.*, p.125.

2. See R. V. Taggart, *op.cit.*

3. *Economic Problems New and Old* (Cambridge, Mass., 1927), pp. 259, 260.

4. *The Economics of Enterprise* (New York, 1925), Preface, p.v, (written in 1913).

price; — therefore, mostly industry and business”;<sup>1</sup> but he emphasized the idea of change — in distinction from the neo-classics:

“Private property, individual initiative, competition, the money system, and production for the price market are mere present adjustments, no one of which has always been, or is everywhere now, or is certain to remain. Each order becomes old and changes, and nothing in human life is certain but this process of change, and nothing of it all is right or just or good in the sense that it must endure, or that something else may not better take its place.”<sup>2</sup>

Davenport, in his qualification of modern society as “distinctly a pecuniary society, a society of business,” is also an outspoken Veblenian, while his “régime of price” and glorification of the entrepreneur are more in line with the orthodox current.

Another economist influenced by Veblen, although he always preferred peculiar methods and lonely ways, was John R. Commons, whom W. C. Mitchell once called “a bewildered person,”<sup>3</sup> and whose theoretical works are mostly indigestible and disappointing. Like Veblen, Commons accepts the idea of institutional change, develops behavioristic interpretations, but chooses as his method of research and approach the legal-historical investigation. He declared himself an institutionalist, he rejected the so-called “exact” theory, and defined institutional economics as “a theory of the part played by collective action in control of individual action”;<sup>4</sup> but he should rather be labeled a representative of the American social-legal school, a parallel to that in Germany headed by Karl Diehl.<sup>5</sup>

The main importance of Veblen lies in the fact that this thinker, for years misunderstood and neglected, became the master and inspirer of a new current in American economics. It was the

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1. *Ibid.*, p.25.

2. *Ibid.*, p.20.

3. In the discussion of his *Legal Foundations of Capitalism*, in *American Economic Review* (June, 1924).

4. *Institutional Economics* (New York, 1934), p.1.

5. See his *Die rechtlichen Grundlagen des Kapitalismus* (Jena, 1929); also Hermann Kröner, *John R. Commons* (Jena, 1930), published in Diehl's collection.



second formal revolt of American economists against the domination of the classics. Like the historical school in its time, the new school entered the field officially with a manifesto, and in this manner the "institutionalists," as they called themselves, appeared in 1924.

R. G. Tugwell, the editor of the collection of essays of the rebels, admitted in his introduction: "It will be said, I suppose, that this book is a sort of manifesto of the younger generation; and in a sense it is that, though none of us, I think, has meant to put first in his writing the critical attitude."<sup>1</sup> Tugwell complained that "economics uncontestably has got a bad metaphysical odor that only a renaissance of rebuilding from the ground up can dissipate." His associates in the manifesto concurred in this opinion.

W. C. Mitchell declared the discussions of the orthodox economists "dull" and their conclusions "dubious." Slichter found that "orthodox doctrine is formulated with as little reference to machinery, science applied to industry, corporations, trade unions, the credit system, commercial and investment bankers, as were the theories of Adam Smith." Soule pointed out "the barrenness of premature senescence which has existed in economic science."

The main ideas of the new school were best expressed by Mitchell. He complained that "for many years there has been a notable difference between the way in which economists handled economic theory on the one hand and the way in which they handled such problems as transportation, public finance, tariffs, money, banking, insurance, trusts and labor on the other hand. The monographs made little use of the theoretical treatises, and the treatises drew upon the monographs for little beyond illustrations. Textbooks often had a theoretical part and an applied part, held together by nothing more intimate than the binding."<sup>2</sup> "Orthodox economic theory as we have it today inherits its problems and its methods from classical political economy. Classical political economy in turn got its problems from English politics in the period of reconstruction that followed Waterloo,

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1. *The Trend of Economics*, Introduction, p. ix.

2. "The Prospects of Economics," in *The Trend of Economics*, p.24.

and its methods from the conception of human nature then current among philosophers and men on the street."<sup>1</sup> Mitchell considered that "Jevons, Menger, Walras, Clark and their disciples did not really produce a new species of economic theory; what they had found turned out to be merely a new variety of the Ricardian species."<sup>2</sup>

Mitchell saw clearly the weakness of the German historical school: "The mistake of differentiating economic theory from the study of economic institutions was confirmed by the rise of the German historical school in the eighteen-forties. For the German critics of English political economy gradually worked themselves up to the point where they felt it necessary to throw away the whole structure of abstract theory, devote a generation or more to the collection of historical materials, and after that make a fresh start at generalizing."<sup>3</sup>

Mitchell preferred Marx's approach. "Marx saw the central problem of economics in the cumulative change of economic institutions; he knew how to use contemporary documents as an effective supplement of economic theory if not as its basis: and he showed how vital economic theory becomes when it is attacked from this side, especially if the current processes of change are projected into the future."<sup>4</sup>

Mitchell declared that "economics is necessarily one of the sciences of human behavior," and can be understood only by a genetic study of institutions and of economic behavior; he wants to replace the "deductive mechanistic" method of the classics with a statistical experimental one plus cooperation with other social sciences.

In his review of *The Trend of Economics* Allyn A. Young was rather surprised that "there appears to be little disposition to raise the red flag of scientific revolution."<sup>5</sup> And he was certainly correct: *The Trend of Economics* was not the product of a school

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1. *Ibid.*, p.4.

2. *Ibid.*, p.15.

3. *Ibid.*, p.18.

4. *Ibid.*, p.24.

5. *Quarterly Journal of Economics*, vol.XXXIX, no.2 (February, 1925).

but a collection of essays by dissenters. In Tugwell's words, "Both deductivists and inductivists are here. So are neo-classicists and the institutionalists. So are the marginalist logicians and the experimentalists. So are the behaviorists and the functionalists."<sup>1</sup>

The real manifesto was contained in a remarkable essay by Walton H. Hamilton, published several years previously. Hamilton is satisfied that "'institutional economics' alone meets the demand for a generalized description of the economic order. Its claim is to explain the nature and extent of order amid economic phenomena; or those concerned with industry in relation to human well-being."<sup>2</sup> He declared that "the 'institutional approach' doubtless has some importance because it is a happy way to acceptable truth, but its significance lies in its being the only way to the right sort of theory. An appeal for 'institutional economics' implies no attack upon the truth or value of other bodies of economic thought, but it is a denial of the claims of other systems of thought to be 'economic theory!'"<sup>3</sup>

"Institutionalism," "behaviorism" sounded strange to European ears. Marcel Hébert confessed that when he first heard the word "pragmatism" he fancied it was a sort of American slang. Similar was the first reaction to institutionalism. The Germans were the first to see that these theories were not new but were rather old thoughts cast in the mold of new words. This observation is especially to the credit of the Austrians, who were used to fighting the historical school. Thus Schumpeter remarked: "In mehr oder weniger urbaner Form hält eine jüngere Generation der älteren, die ihre charakteristische Note vom Ideenkreise J. B. Clarks empfing, ein Sündenregister vor, das uns bekannt anmutet: Unrealität, Irrelevanz, Interesselosigkeit der Auffassungsweisen und der Resultate — klingt das nicht ganz so wie das, was die 'jüngere historische Schule' gegen die ökonomische Wissenschaft anzuführen hatte, die sie verband?"<sup>4</sup> He asserted that "Schmoller ist

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1. *Op.cit.*, p.x.

2. *American Economic Review*, vol.IX, no.1, Supplement (March, 1919), p.318.

3. *Ibid.*, p.308.

4. "Gustav v. Schmoller und die Probleme von heute," *op.cit.*, p.1.

also der Ahnherr der Gruppen, für die Mitchell sprach, und die eine immer grössere Bedeutung im sozialwissenschaftlichen Leben gewinnen. Mehr als Ahnherr — er ist einer ihrer Führer, zum Teil unmittelbar ihr Lehrer, wie auch von Mitchell wiederholt anerkannt wurde.”<sup>1</sup>

Oscar Morgenstern rejects the institutional ideas in his emphasis of the fact that “die Aehnlichkeit mit der Schmoller-Richtung erstreckt sich sogar bis in Einzelheiten. Es ist gewiss kein Zufall, dass Mitchell bemerkt, es sei nun zu Ende mit den umfangreichen Abhandlungen, die die Totalität irgendwelcher Probleme zum Gegenstand hätten, die alles umfassen wollten. Statt dessen sieht er eine Aera von unzähligen kleinen Einzelstudien kommen, in denen immer neues Material ausgebreitet werden soll. Das ist genau was unter Schmoller geschah, nur dass man damals sich mit den Schusterzünften einer deutschen Kleinstadt im x-ten Jahrhundert befasste und heute mit Hilfe der Korrelationsrechnung die Bewegungen der Bank-Depositen und unehelichen Geburten darstellt.”<sup>2</sup>

His conclusions are: “Konkret und historisch war auch die Schmoller Schule und man darf die Behauptung wagen, dass hier nichts anderes vorliegt, als ein neuer Versuch, die Schmollerschen Methoden wieder ins Leben zu rufen. Der einzige Unterschied ist ein rein technischer: damals waren es die Archive und die historischen Dokumente, die die Quelle der (die Theorie ersetzenden) Belehrung darstellten, heute sind es die ziffernmässigen Statistiken. Ein Formunterschied. Die neue Technik schafft aber keine grundsätzlich neue Lage. Besonders sind die logischen Probleme die gleichen geblieben und ein Hinweis auf die Diskussion Menger-Schmoller und auf die Literatur, die ihr folgte, genügt.”<sup>3</sup>

Othmar Spann joins this opinion. He finds the institution-

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1. *Ibid.*, p.17.

2. “Qualitative und quantitative Konjunkturforschung,” in *Zeitschrift für die gesamten Staatwissenschaften*, Band 85, Heft 1 (Tübingen, 1928), pp.79, 80.

3. *Ibid.*, p.79.



alists "disillusioned by the failure of every kind of neo-Ricardianism since the outbreak of the war. Like the members of the older historical school in Germany (Roscher and Knies), while still endeavoring to keep in touch with theory, they consider that economic investigation must center in the study of 'institutions' and of 'human behaviour' (the theory of motivation) so that their method becomes historical, statistical, and psychological."<sup>1</sup> Suranyi-Unger feels too that "American economics on the whole tends to go back to the methodological program of the nineteenth-century historical school in Germany. . . . These scholars will often not admit that they are flirting with the historical school, especially with its older branch, and they endeavor to give their methodological views the air of a 'modern acquisition' by employing a glittering exterior and a newfangled name. The essence of the movement, however, is old and familiar to us."<sup>2</sup>

I believe that the German critics are correct. The main aim of the institutionalists is not a logical system but knowledge of facts of economic life, and the distinction between them and the German younger historical school is in the working conditions of economists in the last quarter of the nineteenth century and the second quarter of the twentieth: a distinction between the old and new material and the old and new techniques. Tugwell's attempt to distinguish the younger generation in America from the older by the fact that the first "have been trained largely in American universities whereas our teachers were trained in German"<sup>3</sup> failed; the younger generation was unconsciously continuing the work not of their American teachers but of the later German inspirers.

The actual head of the school is the most influential contemporary American economist—Wesley C. Mitchell. Brought up in the traditions of Chicago, Halle, and Vienna, acquiring

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1. *Op.cit.*, p.277.

2. *Op.cit.*, pp.224, 225.

3. *Op.cit.*, Introduction, p.ix.

an interest in currency problems from J. Laurence Laughlin, pragmatic ideas from John Dewey, and admiring Veblen's exhibitionist paradoxes, Mitchell succeeded in combining elasticity of mind with curiosity, accuracy in research, and clearness of aim. In distinction from other institutionalists Mitchell not only criticized the orthodox school and laid down a constructive program, but contributed to the program with his own works. As Allyn A. Young writes, "no economist of his generation has made more important substantive additions to economic knowledge than Professor Mitchell. He has shown how fruitful quantitative methods may be, when guided and supplemented by skillful analysis. He has given new meaning and significance to various short-time fluctuations and maladjustments in our exchange economy. This substantive work of his fits into and simplifies the general structure of economic knowledge that has been built up slowly and falteringly during the last century and a half. The assumptions, the modes of thought are such as are familiar to economists. What is new is the body of concrete experience which Professor Mitchell has patiently and definitely organized and formulated in terms of general tendencies."<sup>1</sup>

But even in his painstaking concrete investigations of facts Mitchell remains the great theorist who never forgets to remind his readers and students that "in fact, if not in theory, a state of change in business conditions is the only 'normal' state," and who fights against the "idea of an unchanging order."

Homan blamed Mitchell for his enthusiasm for quantitative information, which "is so great that on one or two occasions he has almost permitted himself to say that intelligent social reform is only a matter of possessing the necessary factual data on which to build."<sup>2</sup> But I do not think this was a lapsus on Mitchell's part: he is sincerely satisfied that at the present technological stage a rational economy is possible provided our factual knowledge of economic phenomena is exhaustive and up to date.

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1. *Op.cit.*, pp.250, 251.

2. P. Homan, *op.cit.*, p.427.

Lenin, as we know, attributed the same importance to statistics and bookkeeping.

Representative of the modern American theory of economics, which has already lost its American flavor, so strong in the first half of the nineteenth century, Mitchell developed in a scholarly way the problem of business cycles, panics, hard times, and price fluctuations which occupied for several decades the minds of academic economists in Europe and was the favorite subject of American laymen and utopians.<sup>1</sup> Mitchell was the first to make a realistic approach to the problem of cycles, and to consider it within the frame of general economic development.

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While the institutionalists are mostly academic economists trying to build up their discipline, the technocrats have virtually arrived at a denial of economics. They consider the present problems and crisis as chiefly technological. The main idea of technocracy is its thesis of the necessity of substituting for the existing price system a new scientific system called the "energy system." They claim that the present economic system, based on private property and profit, neglects the immense constructive energy which is inherent in technology, and which can only be made use of by means of a new social and industrial order, in which natural resources will be utilized for the purpose of obtaining the best productive machinery.

Technocracy is an American doctrine, a product of special conditions prevailing in the United States; it is a crude simplification based on the remarkable technological achievements of this country, intended to put life on a rational and mathematical basis, on a formula put in terms of energy. The technocrats declare that a theory of economics based on notions of price and profit, money and credit, may have been suitable for an age of poverty, but is out of date under existing circumstances in this "age of

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1. *Business Cycles*, first edition (New York, 1913); revised edition (New York, 1927), vol.I.

plenty." The economics of an "age of poverty," they hold, must be substituted for that of an age of plenty. Existing natural resources are unlimited,<sup>1</sup> and "only the financial and commercial arrangements for the distribution of goods keep back from security and a far higher standard of life than they ever have enjoyed."<sup>2</sup>

The organization of production, it is contended, should be handed over to engineer-technicians, who would replace entrepreneurs, financiers, and economists (Veblen proposed the formation of a soviet of technicians). Production ought to be carried to its utmost limits, and not be restricted by considerations of private profit and prices. Production for the creation of property rights should be replaced by production for direct use and service. The only restriction allowable should be dictated by the law of the conservation of energy and all "complications introduced by monetary systems" ought to be removed.

The birth of "technocracy" can be traced to the year 1919. The term was coined at that time by William H. Smyth, an engineer and inventor in Berkeley, California, as a name for a new system and philosophy of government which he proposed for the American people. The original gospel and the basis on which the doctrine of technocracy has been built was a book called *The Engineers and the Price System*, produced by Thorstein Veblen in 1919. This small book became the virtual Bible of technocracy. But the movement as such began only in the years 1930-1933, at the time when economic depression in this country reached its highest level. Howard Scott assumed the leadership of a group of technocrats composed of scientists, engineers, and economists. Scott, L. Ackerman, Walter Rautenstrauch, Bassett Jones, and F. Henderson were the main representatives of this theory.<sup>3</sup>



*Rautenstrauch*

"A strict control and planning of production, a radical reform of the monetary and financial system, and the management

1. F. Henderson, *Foundations for the World's New Age of Plenty* (London, 1933), p.51.

2. Allen Raymond, *What is Technocracy?* p.176.

3. Ferdynand Zweig, *Economics and Technology* (London, 1930), p.237.



of the country by engineer-technicians are demands common to all technocrats. The state of the technocrats would be a new scientific state known as the "Energy State." Under the engineering dictatorship, production will be under strict control. The technicians in charge of the state will decide what goods society needs the most, and how much of them it is socially valuable to make—and also to consume."<sup>1</sup>

The chief confusion of the technocrats finds its source in their neglect of the fact that technology deals with *things*, while economics deals with *men* producing, consuming, and desiring the things.

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The conditions peculiar to the United States have disappeared, and with them the typically American forms of protest. The distinction between capitalistic Europe and the United States is no longer one of kind but one of degree. While the agrarian third-party movements expressed the main demand for transformation prior to the First World War, the growing working class began the organization of its forces at the beginning of the twentieth century. In its early years this class drew the orthodox socialist philosophies of Europe, seeking to apply Old World experience to American problems. The wage-earners became deprived of a safety valve in the form of the frontier, which no longer existed. The working masses, organized by the Knights of Labor and by craft unionism, became responsive to the left wing of the labor cause, which embraced various brands of socialism represented by leaders like Daniel De Leon, Eugene V. Debs, and Victor Berger.

Socialism, which Sombart could not find in its pure state in the United States of the nineteenth century, but which he predicted would come in time, began to find a more favorable soil in this country. At the change of the century traditional

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1. *Ibid.*, p.240.

socialism became Americanized in the sense that it was no longer a movement organized and headed by immigrants. Of those who attended the Indianapolis Congress of 1907, only twenty per cent were foreign-born.

Meantime socialism itself underwent a radical crisis in Europe—the place of its birth and expansion. The decline of capitalism in Western civilization, which took visible form in this period, meant at the same time the decline of traditional orthodox socialism. Thus, by the time in the United States the ground for socialist theories and the socialist movement had been prepared, the movement itself was in decline on the world scale. The leader and economist of the Socialist Party, Norman Thomas, tirelessly repeated the teachings of German Social Democrats—his influence remained negligible as well as the number of his followers. We search in vain for signs of Americanism in his pronouncements. One of the few exceptions was Daniel De Leon. Born in Curaçao, he studied in Europe, lectured at Columbia University, supported Henry George in 1886, joined the Knights of Labor in 1888, the Socialist Labor Party in 1890, and established the I.W.W. in 1905. He advocated the establishment of a socialist society organized around industrial units of workers and his ideas probably were not without influence on the Russian Soviets. De Leon was the first to disclose and emphasize the existence of elements of Marxism in James Madison's writings.

Under the influence of the Russian experiment the laboring class as well as the intelligentsia began to pay more attention to the communist theories victorious over orthodox West European socialism. This subject is outside the sphere of our discussion, since the nature of communist theory makes it universal and absolute, leaving no ground for Americanism. Theoretically communism remained in the United States as sterile as the traditional socialism.

Parallel to the penetration of socialism we observe the decline and even disappearance of the purely American utopian experiments, as well as of utopian literature. Utopian experimental communities ceased with the growth of Marxism, the basis of which is that the social revolution cannot be accomplished by

individual effort or by small groups—hence the contempt of Marxists for minor accomplishments. The crop of utopian literature was quantitatively and qualitatively poor in the period under discussion, although they still showed some American features.

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This period received its most specific coloring from the First World War and its consequences. Eva Flügge correctly emphasized that "der Krieg nun, mit seinen ungeheueren wirtschaftlichen Aufgaben und Konsequenzen, vertieft diese Krise im ökonomischen Denken in ausserordentlichem Masse. Die Tatsache, dass sich der riesige moderne Wirtschaftsmechanismus auf einen bestimmten Zweck einstellen liess, bringt die Frage der *Wirtschaftskontrolle* noch stärker in den Vordergrund der wirtschaftswissenschaftlichen Probleme."<sup>1</sup>

The war economy was at the same time a kind of experimental laboratory for the government and the many American economists who joined the numerous war organizations. The theorists and describers were forced into economic policy, being confronted with the concrete problems of organization, control, and planning. Their economic policy, dictated by the supremacy of the war aims, was compelled to display a strong tendency toward state control and toward denial of *laissez-faire*. The First World War caused and accelerated the increase of governmental functions and activities, to such a degree that a restoration of the ante-war status became impossible. The battle between the principles of conservation and of transformation found its strongest expression not in theoretical works but in the policy of the central government. In hardly any other period of this country's history can we find such contrasting figures as Calvin Coolidge and Franklin Delano Roosevelt.

The ideology of the Vermonter Calvin Coolidge was the incarnation of the principle of conservation. He did not attempt

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1. *Op.cit.*, p.344.

to construct but endeavored to save, to mend, to patch. His motto was, "The business of America is business," and business was for this property-minded head of the Union what freedom was for Lincoln or peace and democracy was for Woodrow Wilson. He had faith in the divine ordination of wealth to rule, and exalted "the ideals of the peddler, the horse-trader, the captain of industry."<sup>1</sup>

While Hoover harked back to the undiluted capitalism of Big Business, Franklin D. Roosevelt, conscious of the inevitability of change, sought to smooth the transition to the form of the future, and performed a *sui generis* preventive revolution. While Hoover's philosophy was that of the individualistic classics, Roosevelt was eclectic, but in his eclecticism two inspirations were strong: from the past, a Jeffersonian interest in the fate of the common man; from the present, the pressure of the contradictions of a transitional period. At the same time his ideas were in tune with the waves of the same revulsion against the dollar deity which resulted in the victories of Jefferson, Jackson, Lincoln, Theodore Roosevelt, and Woodrow Wilson. Franklin D. Roosevelt calls for experimentation and the courage of the young. His belief is that we are "at the threshold of a fundamental change in our economic thought."<sup>2</sup> In his Inaugural Address, true to the American ideas of transformation, he opposed "outworn traditions" in economics, and insisted that "happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort."

But our discussion must stop at the margin of the present, as it seems too early to interpret it.


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1. William Allen White, *Calvin Coolidge* (New York, 1925).

2. *Looking Forward* (New York, 1933).



## CONCLUSIONS



THE contrast between the greatness of American economic development since the Civil War and up to the Great Depression and the American economic literature in the corresponding period is almost bewildering to outside observers; in comparison with the economic life, the discipline of economics in the United States seems to be a slow-motion picture. But the same contrast has often been expressed by students of American belles lettres and of most of the social sciences. The same complaints have been emphasized by historians and philosophers.<sup>1</sup> Common opinion denies the very existence of any genuine American economic thought, in the same way as an interpreter of American lettres once declared: "The American spirit in literature is a myth."<sup>2</sup>

We are compelled to admit that the United States has not produced a Quesnay, a Smith, a Ricardo or a Mill. One searches in vain for a Promethean spark. But contrary to the prevailing opinion, the American people has given independent thought to its economic problems. American economic thought is not an edifice of the type of a Gothic cathedral, but it had constancy of purpose and straightforwardness of line. Its currents have changed in and with the times, the development has not been a rectilinear one, the stream of thought has broadened or con-

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1. Leon Kellner, *op.cit.*, pp.5-6. Similar is the usual criticism of the American historiography. Allan Nevins states that "American historians have neither expressed so fully their national mind nor disseminated so many influential ideas as have the British and German historians." (Encyclopedia of the Social Sciences, vol.VII, p.385.) James Harvey Robinson's opinion was that "most of history books are poor, dull things, written by unimaginative people with the temperament of faithful clerks."

2. John Macy, *op.cit.*, p.5.

tracted, and run fast or slow. But in all the evolution we trace the presence of an American inner spirit, the essence of which was formed rather by intuition under the influence of the environment than by the pure intellectualism derived from Europe. The stream of thought has been fed not by great thinkers but by the thought of the common man.

A retrospective glance at the main currents of economic thought in the United States reveals that Americanism, as we have already suggested, is not typified by the English formal garden of classic and neo-classic theories, with straight walks and trimmed hedges, but by the fields and forests of this country, its broad acres and its tangled wildernesses. Santayana made a similar observation regarding the development of philosophy here when he contrasted the genuine, native American trends with the "hereditary" ones. He stated that "a philosophy is not genuine unless it expresses the life of those who cherish it," and that "the hereditary philosophy has grown stale, and [that] the academic philosophy afterwards developed has caught the stale odour from it."<sup>1</sup> But the opposition to English domination in the cultural life of America is not an attack on England: it is a plea for America.

The history of economic thought in the United States presents a continual battle of fundamentals—between the principle of conservation and the principle of transformation. All details and all minor problems left aside, this was the real issue. In this conflict, Americanism always represented the quest for transformation. In other words, the genuine American spirit required transformation and not conservation—to transform the country from a wilderness of a continent into a paradise, while, as Emerson wrote in his *English Traits*, "the English power resides also in their dislike of change." The American spirit in economics has not retained the same substance from generation to generation, but in each period has protested in one way or another against the ideas of conservation and the penetration or domination of



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1. "The Genteel Tradition in American Philosophy," in *Winds of Doctrine* (New York, 1913), p.187.

the abstract theories of the classics. The quest for transformation was stronger or weaker, the problems changed, but the restlessness of the quest remained.

In the period of the moving frontier, Americanism was represented by the romantic national school, whose voice was strong and whose energy was inexhaustible; industrial America heard weak protests by sentimental naive, provincial utopians and was threatened by the Green Uprising; America after the First World War, armed by all the power of its technological achievements, gave birth to a typically American, but misunderstood, technocratic movement. There were certainly many other protests against classicism—the numerous populist revolts, the labor movement with its socialist theoretical foundation—but they represented the interests of classes and groups and not the American spirit as such; their demands for transformation were stimulated more by economic motives of groups and classes than by the objective factors of the American environment. There were, as we have seen, academic revolts against conservational ideas, but they usually lacked freshness and vitality.

Genuine American economic thought has seldom manifested interest in systematic economics, and has never developed a well-rounded system. Its ideas have generally taken shape in connection with some important problem of national economic policy. It has always been busy with pregnant questions. Americanism has expressed itself more in desires, strivings, objectives than in beautifully rounded, logical constructions of theories. Theoretically it was incurably weak, ignorant, or dilettant, if considered from the standpoint of the academic economists. And it was constantly optimistic, in contrast to the traditional pessimism of the orthodox. Whereas the homespun America was at the cross-roads as regards its destination, the America of the moving frontier developed a victorious Americanism.

The American current of economic thought showed its most genuine and independent development in the period between the War with England and the Civil War. This was a period when the economic life of the country, its environment, and its

demands were sharply distinct from those of England. An American mind has been created under the influence of the economic folklore of the country, under the silent pressure of environment. American history and geography colored the thought of that period. The romantic national school was the expression of the American mind and of native conditions.<sup>1</sup>

The academic economists considered the native laymen economists, the dissenters, as a kind of demi-monde; the economics of the schools adopted a snobbish attitude toward the economics of the streets. Even the contemporary reader may leave the erudite classics with a yawn, but he cannot deny the freshness and earthiness of the laymen in economics who presented the voices of the soil and the moving frontier.

It is true that the doctrines and demands of the laymen were more a matter of fervent faith than of knowledge. List expressed best their source of inspiration in his famous statement: "When . . . I visited the United States I cast all books aside — they would only have tended to mislead me. The best work on Political Economy which one can read in that modern land is actual life." It is true that the dissenters were dilettants. Often all the economics they knew had been learned in the rough and humble ways of a print-shop. They were not closet economists but jacks-of-all-trades, coming from every field of daily life: printers, newspaper editors, lawyers. But as Max Weber observed, "Fast alle Wissenschaften verdanken Dilettanten irgend etwas, oft sehr wertvolle Gesichtspunkte."<sup>2</sup>

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1. Charles A. Beard once remarked that American political science, down to 1860, was a powerful and original contribution to world thought. Hamilton, Jefferson, John Adams, John Marshall, Taney, Webster, Clay, Calhoun, Lincoln were men who spoke and wrote like men. He stressed that since 1860 the American contribution to political thought has been mediocre.

2. *Op.cit.*, vol.I, p.14. Gustav Schmoller expressed the same idea in application to economics: "Es liegt im Wesen einer jungen und einer auf praktisches Wirken gestellten Wissenschaft, dass neben den wirklichen Gelehrten die Agitatoren und Pamphletisten eine grosse Rolle spielen, ja dass mehrere der einflussreichen Männer der Wissenschaft ebenso sehr das letztere als das erstere waren. Die Physiocraten wie die Sozialisten waren und sind in erster Linie Agitatoren; Bastiat und List, Schultze-Delitzsch und Lasalle, Prince-Smith und Marx waren es teilweise, selbst Ricardo könnte man in gewissem Sinne den



Even the English classics were not "trained economists": they included not only the bookish student Adam Smith, who showed such unusual practical sagacity; but also the practical man of business David Ricardo, the founder of abstract political economy; the East India Company clerk Mill, and many others.

We might say of the romantic national school what Bagehot said of Ricardo: "He did not go to Political Economy — Political Economy, so to say, came to him."<sup>1</sup> Mrs. Lincoln said of her husband: "He was not a technical Christian." We may say of the romantic national school that its members were not technical economists. Their ideas were robust, self-confident, aggressive, and optimistic — all these being features of the pioneer. They were not twilight figures but men of flesh and blood. Their theories possessed the *erdige Beigeschmack* so emphasized by Karl Knies. They propagated certain germinal, traditionally American ideas, but their works and thoughts represented a cross-fertilization with the European background, native aspiration, and indigenous growths. Their main philosophy was the denial of the classical laissez-faire: the American wilderness needed government intervention. The nation, state and economy in the process of formation were not ready for the absolute liberal individualism of the classics; the Industrial Revolution had not yet permeated the United States; the middle class was still in formation, as well as the capitalistic form of economy. Free from English mercantilism, America was not ripe for English classicism; it needed American modified mercantilism. Manchester gave birth to the English system; Pennsylvania constructed the American system. The nationalism, ideas of protection, and discussions about money of the American national school tended toward mercantilism, and we find this tendency in many other expressions of the American spirit — in the utopian writings of the second half of the nineteenth century, as well as in the technocratic designs of the twentieth. The professorial classics found their basis in the naturalism

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Pamphletisten zuzählen, im Gegensatz zu Ad. Smiths wissenschaftlicher Bildung und Objektivität." *Op.cit.*, p.107.

1. *Economic Studies*, London, 1880, p.153.

of the eighteenth century. The voluntarist, rational, organic American ideas in economics contrasted with the spontaneous, irrational, mechanical ones of the classics. Highly estimating the individualistic factor, the American spirit rejected the atomism of the classics. It looked for an economic system while politically it insisted on human autonomy. The romantic national school was the leader of Americanism and of the principle of transformation up to the Civil War. But even in later decades, as we have seen, traces of this current are obviously present in the teachings of many dissenters from the dominating orthodox school.

Industrial America presented a different picture. The main demands of the national school were met; the country was already moving in line with the capitalistic civilization; the classical theories corresponded to the needs of capitalism and of the forming victorious middle class. The American protests were getting weaker; they lost their energy and robustness. There is a sense of drama in the vanishing of the American spirit. Its protests were more sentimental, naive, provincial; they represented the complaints of the common man, the "Forgotten Man," and his claims for participation in the "Great Barbecue," as Parrington called this period. But these protests were mere utopian dreams. The utopian writings of this period are the dormant sources for a history of American ideas. They await the industrious scholar who would investigate all these panaceas for hard times, searches for prosperity, taxation programs, and so forth. Reading the utopias chronologically one can feel the changes in public sentiment and in the economic development of the country.

The American utopia was not a rebellious outbreak, a revolt against the present. Instead of being an escape from reality, it was usually quite definitely a scheme for the immediate world about us. The same idea of immediate practical application is the key to the technocracy of the twentieth century, which expressed the American spirit in economic thought at the cross-roads.

The main field of the quest for transformation changed with the times. In the period of the moving frontier genuine American thought was busy with problems of production. In

industrial America the problem of distribution troubled the utopians and other dissenters; in the period after the First World War American thought became involved in problems of organization. But in spite of many distinctions and differences, all currents representing the American spirit have had something in common: their proponents have felt that in new countries the assumptions of political economy were rather contrary to the truth; they showed a striving for the welfare of the nation as a whole. Even when they emphasized the element of private initiative, they had in mind creative and not acquisitive achievements; they were in favor of paternalistic or controlled organization. We can trace to Benjamin Franklin their preference for community over individual action.<sup>1</sup> From this standpoint, Veblen was also an expression of the American spirit.

Americanism possessed imagination which the orthodox teachers lacked. The academic economists represented the principle of conservation par excellence. Their teachings hardened into dogmatism and apologetics. We notice again a similarity to the development of academic philosophy in this country, where, Santayana states, "the professional philosophers are usually only apologists."<sup>2</sup>

The relationship between economy and economics recalls the dual image of a scene in nature and its mirrored counterpart on the surface of a lake. The classics and neo-classics did not give the correct expression, as they were not and are not American; they were not national at all; they were neither cosmopolitan nor provincial—they had no feeling of moment and milieu. Community of language strengthened English economics, and in spite of the addition of the Austrian blend, the orthodox teachings remained mainly a copy of the English. To speak of American classics recalls the passage in Lowell's *Fable for Critics* about "the American Bulwers, Disraelis and Scotts." Of course, there were cases when even the orthodox were unable to detach them-

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1. F. J. Turner came near to this point in his statement that "we may trace the contest between the capitalist and the democratic pioneer from the earliest colonial days." *American Historical Review*, vol. XVI, p. 227.

2. *Op.cit.*, p. 197.

selves completely from the environment but their general mentality was timeless and spaceless, based on logical abstractions of the English originals.

The academic economists produced capable executives and administrators, brilliant logicians, but seldom creative thinkers and never forceful leaders. They turned their writings upon life, but missed its intensities, its significance. Paul T. Homan was correct in stating that "the fluidity of economic thought was strangely in contrast to the dogmatism and finality which found expression in university textbooks."<sup>1</sup>

The systematic disappearance of peculiarly American features in the literature of this country after the Civil War, the formation and victory of the native middle class, which gladly accepted the doctrines of its English confrères, gave a foundation and strength to the classics which they had not had previously, and established a monopoly of the orthodox. The formal English garden was extending, replacing the wilderness of the American fields and forests.

When the orthodox fireside economists did not immure themselves closely within the walls of the scholastic temple, they derived their inspiration from the abstractness of Wall Street. In Veblenian language, the majority of American economists were intellectually corrupted by habituation to business habits of thought. As a rule, they found themselves enclosed in a mesh of subtleties. Simon N. Patten aptly characterized this type of economist as "a hybrid product of bookworm and hair-splitters"<sup>2</sup>—they lost connection with the open air and thought in terms

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1. *Op.cit.*, Preface.

2. *Essays in Economic Theory*, p.243. Richard T. Ely felt the same way: "Let us be as thorough, as painstaking, as it is possible to be, but let us take care that we are not crushed by our own learning! Much that has been laboriously gathered together will be swept aside before we reach 1909, and will be thrown on the rubbish-heap of ingenious but fruitless speculation. I think it may be said that the theoretical work of the decade has as a rule lacked sufficient boldness. We have been too timid, and have in some cases spent much time in petty refinements while essentials have been overlooked." "A Decade of Economic Theory," in *Annals of the American Academy of Political and Social Science*, vol.XV (1900), p.111.



of shop tradition only: writers gave birth to writers by the law of sequence, and books were spawned out of books. They neglected the country—a living fountain of enlightenment. The embittered Veblen was correct in speaking of “certified economists.” As in the case of philosophers, “Their mind was like an old music-box, full of tender echoes and quaint fancies.”<sup>1</sup> Satellites of New England interests prior to the Civil War served the triumphant American middle class after it.

*historicism*

The two revolts against the classics—historicism and institutionalism—found their bases in the protest against the timeless and spaceless intellectual gymnastics of the classics, against their absolutism. The “revolutionary” evolutionists resented the limiting of economics to the analysis of the individuum (Peirce called it the “greed philosophy of conventional economics”),<sup>2</sup> and investigated the relationship between the individuum and the state. They felt that laissez-faire had never taken root in the United States, as this country presented an outspoken case of the necessity of application of government intervention. The revolts did not impress the orthodox economists, who wrote for their economist colleagues, for students, and for a certain group of business men. They were anxious to produce textbooks, as every German professor dreamed of creating a system. Their influence on economic life may be compared with that of the grammarian on the development of the language.<sup>3</sup>

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1. Santayana, *op.cit.*, p.192.

2. W. C. Mitchell called it the “mechanics of self-interest.” See “The Rationality of Economic Activity,” in *Journal of Political Economy*, February, 1910.

3. J. Laurence Laughlin was one of the few to realize this: “Whatever the undoubted progress in the development of economic instruction in the United States which may have taken place in the last fifteen years, and whatever may be at present the inquiring and even eager interest shown in the subject by vast numbers of people, both within and without our schools of learning, the fact must be frankly acknowledged that the influence of scientific economic thinking in the United States has little or no authority with the masses of the people.” “The Study of Political Economy in the United States,” in *Journal of Political Economy*, No.1 (December, 1892), p.1.

The general public was more inspired by Bellamy and Henry George. Its attitude toward the orthodox economists was that of ignorance and scorn. Utopians sometimes advised the deportation of all economists as essential to the elimination of hard times.

The American classics and neo-classics claimed to be the followers of the English school, and it is true that the English hold the title deeds to academic American economics. The dissenters were more under the influence of continental Europe: the optimism of the American national school recalls vividly the similar movement in France; the historical interlude and institutionalism — German theories. But while the academic economists — both orthodox and dissenters — represented the reception and continuity of European thought, the followers of Americanism, the outsiders, the dissenters, represented an original link in the chain of universal economic thought, based on the local moment, the individual and peculiar features of American development. Correspondingly, the American influence abroad was more that of layman representatives and not of academic economists. The works of Carey, Bellamy and Henry George were translated into foreign languages and read in other countries more than all orthodox American economists put together. "American" theories became an export product; the imported European notions could seldom be re-exported even after refinishing in the American workshop.<sup>1</sup>

American economics, in spite of all distinctions and controversies, developed some peculiar features in common. One of them is the striving for immediate application. Theories, describers, and utopians, orthodox and dissenters, all were anxious to apply their theories and conclusions to actual economic life,<sup>2</sup>

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1. Hume stressed in his well known letter to Benjamin Franklin the beginning of intellectual export from the United States. He wrote: "America has sent us many good things, gold, silver, sugar, tobacco, indigo. But you are the first philosopher and indeed the first great man of letters for whom we are beholden to her."

2. The same is the case with political theory in the United States. "The cultivation of ideas did not assume the form of a distinctively American political philosophy. There was an essentially practical character about the political

John Dewey emphasized this feature as it applied to Henry George who, he wrote, "is typically American not only in his career but in the practical bend of his mind, in his desire to *do* something about the phenomena he studied and not to be content with a theoretic study. Of course, he was not unique in this respect."<sup>1</sup> Frederick Winslow Taylor's *Principles of Scientific Management*<sup>2</sup> and the entire field of business economics is the extreme pole of this tendency.

Not only academic teachers became interested in the field of applied economics. While they especially developed the field of business administration (corresponding to the German *Privatwirtschaftslehre*), the same observation may be made of the American utopia: it was applied and practical. The utopians removed the romantic dress, adapted and exaggerated the usual utopian mechanization, rationalization, regulation and calculation (all established catchwords in the currents of American life and thought), and produced schemes for immediate application, sometimes as prescriptions against hard times and panics, often propaganda for a new currency or system of taxation. Based on trusts and checkbooks, the American utopia calls to mind the schemes of business reconstruction or consolidation. The attempts at economic meteorology developed rapidly on American soil. Since Brenner,<sup>3</sup> laymen as well as academic economists have tried to forecast the business weather and price fluctuations, and economists all over the world have debated passionately and often imitated the methods of this kind of forecasting initiated in the United States.<sup>4</sup>

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speculations of American statesmen; they utilized theory for definite constructive ends." W. S. Carpenter, *The Development of American Political Thought* (Princeton, N. J., 1930). Preface, p.V.

1. Foreword to George G. Geiger, *The Philosophy of Henry George* (New York, 1933), p.IX.

2. New York, 1911.

3. *Prophecies of Future Ups and Downs in Prices*, Cincinnati, 1875.

4. F. W. Taussig emphasized the pioneering of the Harvard Economic Service: "Flattering proof of the success appeared in many imitations, not only from commercial rivals, but, what was more significant, in the form of similar ventures in foreign countries, with similar academic connections. In England,

The statistical trend is another feature of American economics. As early as 1809, L. Baldwin emphasized the role of statistical research<sup>1</sup> and many years later, S. N. D. North, the author of an official survey of the history of American statistics, correctly noted its early and high development and importance. North stressed the point that "we in the United States need all the aid we can get from statistics, need it more than any other people, for more than any other, we are living in the period of *change*. Transformation in many of our methods is in progress."<sup>2</sup>

General Walker, speaking before the International Statistical Institute at the opening session of its meeting in Chicago in 1893, dwelt on this feature. "A strong passion for statistics," he declared, early developed itself in the life of our people, and such statesmen and publicists as Hamilton, Pelletiah Webster, Alkanah Watson, Tench Coxe, Setbert and Pitkin became working

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France, Germany and Austria, even in far-off Russia under the Soviet régime, institutions were set up on the same pattern, and in some cases (England and France) after consultation with the Harvard men and with substantial aid in money from the Harvard organization. The pioneering and leadership of the University has not often been so unquestioningly admitted in foreign lands. It was the business cycle that, as a rule, attracted attention to the Economic Service abroad. That subject had long engaged the attention of economists and writers on finance, and became especially prominent after the Great War, when it led in all countries to a veritable deluge of publications, good, bad, and indifferent. But the analysis and understanding of the business cycle was only a part of the Harvard Service. More was contemplated, in the way of contributions of permanent value to economic and statistical science, chiefly through the *Review of Economic Statistics*." "Economics 1871-1929," *op.cit.*, p.194.

1. "The study of Political Economy has of late years become systematized, and in whatever light we view it, embraces the most difficult and important departments of human knowledge. It combines the investigation of natural objects with the study of the human passions. It is the association of physical qualities with moral affections, which makes the great object of statistical researches, so as most efficaciously to aid the progress of national happiness." (*Thoughts on the Study of Political Economy*, p.65.) "It must be obvious to every person, that an accurate enumeration of the inhabitants of our country is of the highest importance to the statesman, and to the philosophic inquirer a source of amusing speculation." (*Ibid.*, p.17.)

2. "Seventy-Five Years of Progress in Statistics: The Outlook for the Future," in *The History of Statistics*, New York, 1918, p.23.



statisticians and founded their theories of economics and taxation inductively. No government in the world has ever lavished money and labor more generously upon statistical inquiry, nor has any people ever responded more cheerfully and patiently in this respect.<sup>1</sup>

The scope, volume, and quality of statistical data were continually growing and improving in this country. Especially the Twelfth Census, that of 1900, with its efficient handling of agriculture and manufactures, laid the foundation for an exhaustive study of economic phenomena. Here is the explanation of the idea of some of the institutionalists headed by Wesley C. Mitchell, that a planned, organized and exhaustive quantitative study of economic life rather than abstract deductions will disclose the functions of the economic organism and its trends and tendencies. Hence arise the conscious efforts of groups of American economists, parallel and similar to the tendency in all the social sciences in the United States, to organize a cooperative planned study. Hence also comes the flood of elaborate cooperative research projects.

The passion for statistics is only a part of the more general passion for fact-finding.<sup>2</sup> Even the adherents of the abstract school could not avoid it. The thousands of volumes describing various phenomena of economic life present the concrete contribution of modern American economics. No other country in the world counts as many economists as does the United States; they have produced skyscrapers of materials but not skyscrapers of thought. Sombart emphasized this fact in his study of American literature on labor and socialism: "Viel interessante Quellen, wenig wissenschaftliche Literatur."<sup>3</sup>

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1. Quoted by John Cummings, "Statistical Work of the Federal Government of the United States." *Ibid.*, p.573.

2. Howard Mumford Jones stated the same tendency in the study of American literature: "The average history of American literature is, in effect, a textbook, clear in outline, accurate in statement, and pedagogically usable; presenting in chronological order the main "facts" of American literary history, and incurious as to why these facts are so." *American and French Culture* (Chapel Hill, N. C., 1927), Introduction, p.5.

3. "Quellen und Literatur zum Studium der Arbeiterfrage und des Sozialismus in den Vereinigten Staaten von Amerika (1902 bis 1905)," in *Archiv*

Fact-finding has developed in this country into a standardized, machine-made production. While the orthodox theory was detached from reality, the fact-finding was detached from theory, and seldom reached the stage of a finished product. American writers longed to describe the current economic life. Lafcadio Hearn expressed this desire: "Fancy a good romance about Wall Street. . . . There is, of course, a tremendous romance there. . . . But what can the mere litterateur do, walled up to heaven in a world of mathematical mystery and machinery?"

But economists were no longer looking for a "romance". They were satisfied with the accumulation of meaningless data regarding the transactions on the Stock Exchange. The panic of 1907 found a better presentation in Upton Sinclair's *Money-Changers*, in spite of his Sherlock Holmes methods, than in all the books on economics. American literature developed a specific kind of economic novel. William Dean Howell's *The Rise of Silas Lapham*, in spite of his parlor style, and Frank Norris in *The Pit*, were reacting to and reflecting the economic process better than the economic describers.

American economic development is still an unwritten rhapsody to which the fact-finders have contributed the raw materials and the novelists some chapters. But a Sombart's gigantic *Modern Capitalism* is still missing in the United States. The curious reader will find a better expression of the present economic style of this country in Sinclair Lewis' photographic novels than in most of the volumes produced by American economists.

I have tried to present on these pages a sketchy picture of the development and style of American economics up to the Great Depression and to discover its spirit, its "Americanism." But what is the contribution of American economics to the discipline? What is its role on the world stage?

American literature was from the world standpoint during the discussed period still a minor literature. This is true also in the field of economics. The orthodox, with their reception of

English theories blended with Austrian ideas, refined, extended, and complicated in the United States, do not present a lasting original contribution to the world store of economics.

It is probably clear to the reader that, without looking with Chinese reverence upon one's ancestors, we may consider the orthodox economists intellectually a paler and inferior group, in spite of their erudition, than the representatives of the American spirit. For this reason, the lasting contribution, for instance, of Raymond, Carey, Bellamy and Henry George is of more importance. Is it surprising under these circumstances that dissenters like Patten tried to find escape in collecting songs, and Veblen in translating the sagas of Iceland?

No one has expressed better than Simon N. Patten, the epigon of the American romantic national school, the tragedy of orthodox economics, in his attempt to describe the changes that have been wrought by economists since the foundation of the American Economic Association.

"There is, however, no great American problem that has been solved. With every vital question we stand on a halfway ground, halting between the old and the new, and if these half truths are all we have to offer we may harm the public more than we aid them. Confusion and defeat stare us in the face politically, morally and economically, if the disappearance of old customs, traditions, and modes of thought is not followed by the rise of new concepts, ideas, and institutions. We cannot afford to be mere iconoclasts. We must lay the foundation of the new civilization and show how economic forces will remedy evils that may soon be unbearable. We have thus a problem—a difficult problem—to master. Are we mastering it or merely drifting with the tide?"<sup>1</sup>

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Our survey of the development of American economic thought in the period under review has given us a sombre pic-

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1. "The Making of Economic Literature," in *Essays in Economic Theory*, New York, 1924, p.240.

ture. The freshness and brilliance of native American thought has vanished with the disappearance of Americanism, with the progress of the American machine civilization and the penetration of a highly capitalistic form of economic life.

What is the future of American economics under these circumstances? The rebel Tugwell spoke of a "renaissance of economic thought"<sup>1</sup> in this country. Mitchell declared a few years before the Great Depression that "at present the prospect of making progress in economics is bright."<sup>2</sup> I see the renaissance not in the progress of economic theory, but, to use Mitchell's expression, in the attempt at a "constructive application" of accumulated facts and data. The inventory prepared by the Encyclopedia of the Social Sciences, the rediscovery of Thorstein Veblen, the work of the National Bureau of Economic Research, the activity of the National Resources Planning Board, the work of J. M. Clark, the investigations of the T.N.E.C., the appearance of Alvin Hansen in the role of an American J. M. Keynes—all these facts are illustrations of recent purposive and sometimes daring attempts at a "constructive application" in economics. The economists begin to see a concrete goal—the conquest of the possibility of shaping the evolution of economic life to fit the purposes of the nation. The principle of transformation logically develops interventionism into planning. Theoretically the idea of "constructive application" is opposed to atomistic individualistic conceptions, and is nearer to the universalistic organic ones; but it is really in the United States less a philosophy than a method of doing without one.

We begin to realize that "America today is the greatest, most complex machine the world has ever known. Individualism is giving way to regimentation, caste, standardization. Optimism is gone; pessimism is on the horizon."<sup>3</sup> These are economists anxious to develop the constructive application of accumulated knowledge of facts and tendencies toward the conscious and cautious control and regulation of economic life in the interest

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1. *The Trend of Economics*, Introduction, p.x.

2. "Prospects of Economics." *Ibid.*, p.3.

3. V. I. Parrington, *op.cit.*, vol.III, p.327.



of the people, to develop the "social architecture," in Horace Greeley's expression, guided by Daniel Raymond's dictum: "The immediate object [of political economy] should be to instruct governments how to legislate, and not individuals how to get rich."

Thus the future of American economics coincides with the prognosis made by Barbara Wooton in her recent *Lament for Economics*: "If by 'economist' is meant a professional student of the practice of economizing, that is to say of distributing scarce means between *given* alternative ends, it will now be plain enough that, for my own part, I am unable to hold out any great hopes for the future. But if the term is stretched to permit of discussion of ends as well as of means, and 'economist' is redefined, however loosely and vaguely, as 'student of social welfare,' then I do not think the last word has yet been said."<sup>1</sup>

And again like in previous periods the Great Depression and the Second World War mark turning points in the development of American economic thought. The trends and tendencies which were slumbering under the surface since the First World War, which were sharpened and crystallized in the unhappy thirties, are expanding rapidly under the influence of great events. The process and consequences of the Second World War, like of all wars, are having a destructive as well as a constructive influence on economy and economics. They help to destroy old notions, traditionalism, orthodoxy, demanding new daring answers and immediate experiments. War "economization" of the state and bureaucratization of the economy lead to a revival of *Cameralia*, of "constructive application" of economics. If it has been generally the fate of economic theory to run a losing race against the course of history; the present imperative quest for transformation seems to promise a better synchronization.

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1. London, 1938, p.302. In different words, the same goal has been expressed by Sir J. Sinclair in 1788: "An inquiry for the purpose of ascertaining the quantum of happiness enjoyed by the inhabitants of a country, and the means of its future improvement."

THE DEVELOPMENT  
OF CANADIAN ECONOMIC IDEAS

*by*  
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TWO basic antitheses have shaped Canada's history, the antithesis between French and English and that between metropolitanism and localism. Every American country has been, and some still are, within the sphere of an economic centre of demand which seeks from them simple primary products—staples—and exercises over them financial and perhaps political hegemony. But in no other country in America have two such contrasting societies been joined together as exist side by side in Canada. 180 years ago, a French, Catholic and rural community was conquered by an English, Protestant and commercial power. Since, the races have evolved side by side without either yielding its culture, without much assimilation and without much understanding. This is the aspect of Canadian history that conditions everything about the country.

The development of the two has gone on unevenly. The French were the first to realize themselves as people and consequently they led in the agitation for self-government, though they did not supply many of the constructive ideas for that condition. The English (many of whom were Scots) forged ahead commercially from the beginning and have been consistently dominant in all fields relating to the production of wealth, business, transportation, industry and commercial agriculture. The French, by contrast, having attained self-consciousness much earlier and with a Latin capacity for handling abstract ideas, have had much clearer notions about those fundamentals which go to make an enduring society than have the English. In their failure or refusal to participate in stark Anglo-Saxon individualism they have kept firm hold on the things which ensure survival, such as religious cohesion, the family, the soil, the race and its institutions. These with them have come before wealth. As a result they possess today a strong and growing society which no longer fears English



assimilation and is even reaching out to storm English economic strongholds by political methods.

French-Canadian economic ideas can be described very briefly for until recently they have hardly gone beyond those of St. Thomas Aquinas. They have embodied medieval Catholicism plus the more recent papal encyclicals. The French have always regarded themselves as "*les enfants du sol*" and have mistrusted what the Anglo-Saxon has been pleased to call progress. It is only within the last few years that the results of the English Industrial Revolution — low wages, slums, unemployment and, among the *élite*, the strong consciousness of being second class citizens — have provoked stirrings of revolt. These have taken, among the intelligentsia, the form of an intransigent nationalism; among the labouring masses a recourse to unionism, Catholic, Canadian or international. Some of the church authorities and others have looked kindly on the conception of "the corporate state" as sketched out in Italy — though without committing themselves to the dictatorial principles involved in that country — and the future may yet see attempts to build such a structure in French Canada.

The English Canada, eighty per cent Protestant and strongly Calvinist within its Protestantism, from the first has taken the commercial view of life for granted and the elements within it which have not been satisfied with it have been few and numerically unimportant. It has displayed, almost without change, the fundamental qualities of the English-speaking world and these have conditioned its thinking upon economic subjects. Freedom of enterprise, the liberty of the individual, has been its natural inheritance and traditional mercantilism in external trade it has come by from the same source. In all its actions it has been almost totally empiric. Even in this day of *a priori* and doctrinaire theories, while groups of Canadians like other peoples can be frightened by bogies (such as "communism") or excited by slogans (such as "monetizing the national credit") the chances of building a doctrinal conception of society or the state into Canadian life would be remote. Canadian economic thought therefore turns out to be a matter of polemics or pamphleteering, of

controversy over methods or of analysis of existing conditions,— at least until the last few years — of the construction of philosophical or semi-philosophical systems. These basic characteristics must be kept in mind in any consideration of the concepts elaborated during the growth of the Canadian community.

## I

Since the conquest of 1763, the scattered communities of British North America have slowly drawn closer to each other. The Dominion dates from 1867 but even today it shows plainly upon its surface the elements out of which was created French Canada, already referred to, and the various English provinces. Since it is impossible in a short paper to consider the local life of each of these while they yet remained separate, English-speaking Canada must be taken as the community that beginning in the cities of Montreal and Quebec immediately after the conquest has gradually grown to embrace the valley of the upper St. Lawrence and the Great Lakes region, together with those areas further west, the prairies and British Columbia, which have been in part settled from the original focus. Even in this area, British Columbia, once a separate colony, still retains marks of its origin, while without it, the "Maritime Provinces," Nova Scotia, New Brunswick and Prince Edward Island, have to this day a somewhat independent life of their own, not as yet fused into the general Canadian community.

For almost two generations after the Conquest, or say until after the War of 1812-14 with the United States, British North America was characterized economically by the type of exploitive imperialism that has been common throughout the British Empire, and no local communities of a weight parallel to that of New England in the old empire existed to off-set it. French Canada was a conquered colony, Nova Scotia was weak and there were no English upon the land of Upper Canada (now Ontario) until after the American Revolution: it took another generation

for the agricultural community then founded, to acquire a corporate personality of sufficient firmness to give it life and character of its own. When this stage was reached, mercantilism of the Imperial type was already firmly established but, by a curious twist of circumstances, it had come to confer considerable benefits upon the colonies and was not only accepted by most of their inhabitants but insisted upon. As long thereafter as British mercantilism endured, colonials enthusiastically supported it. The period from about 1815, then, to 1846, may be denominated the era of colonial mercantilism.

Colonial mercantilism was primarily concerned with securing the retention by the Imperial government of the so-called "differential duties" upon timber coming into the British market from countries outside the Empire, which in practice meant the countries round the Baltic sea, while at the same time combatting proposals to increase British duties upon colonial timber. With the timber trade and lumber industry were associated ship-building and shipping; the latter supported by the British Navigation Acts which required all shipping between Empire ports to be "British," a term that naturally included all the Empire. Under the Timber Duties and Navigation Acts, there grew up a second mercantile system that produced in British North America a great staple trade in wood and its derivatives. This trade, with lesser ones, enriched certain persons in the colonies, impoverished others, but gave an appearance of activity and progress as staple trades always do. It at least provided the channel—for many years the only considerable channel—by which a local raw material could be turned into wealth. Probably the metropolis got the lion's share of the wealth but the colonies got enough to cause them to be for the most part enthusiastic for the continuance of their staple trade and the tariff structure upon which it rested.

Their enthusiasm was vocal: its expressions in print are legion. Most of these are ephemeral but a few may be singled out. An anonymous pamphlet from New Brunswick came out in that year of great depression, 1826, describing the whole conception of the Imperial system as it appeared in colonial eyes.

The Empire was, or should be, a closed trading unit, with each part contributing its proper function to the organ as a whole. It rested upon the rock of "ships, colonies and commerce," ships for defence and transport, colonies for raw materials, and commerce to spread the industrial products of the Metropolis throughout the whole. Incidentally, New Brunswick ships and timber would continue to enjoy their solid preferences in the British market.

In the 1830's William Bliss, Agent for Nova Scotia in London and Sir Brenton Halliburton, Chief-Justice of that province, both put substantially the same case before the public. Bliss eulogized the Empire in terms of physical magnitude and wealth; he dwelt on the collection of islands and continents basking in the sun of British Majesty, all held together by the blood of commerce. Halliburton took much the same line and in reply to the efforts of a wing of the British Whigs, under Charles Poulett Thomson, to reduce the timber preference, he soared into ecstasy, seeing in Empire, commerce, navy, colonies and colonial preference a species of religious mystery that must no more be assailed than the truths of Christianity themselves.

The main weight of support for colonial mercantilism, however, came from the press of the day, especially from that of New Brunswick and from the English-language press of Lower Canada. In Lower Canada, where the city of Quebec was the centre of the timber trade, the French press was indifferent but the English papers never lost an opportunity to bolster the cause. Among them there may be singled out the *Montreal Gazette*, whose columns to this day, after a century and a half of publication, give forth the same unvaried note as in its first issue, that of exploitive capitalism, the *Montreal Herald*, very similar to it then and now, the *Quebec Mercury* and the *Quebec Gazette*. In New Brunswick it was the *New Brunswick Courier* of Saint John, which mainly represented the cause.

In Upper Canada, which after 1815 forged ahead, exploitive capitalism was tempered by the growth of a solid rural



community. It was not unnatural then to find it casting up men who in contrast with the unmitigated exploitivism of the lumbermen and merchants of Lower Canada thought primarily in terms of its development, of enhancing its natural advantages. Among these the most prominent was W. H. Merritt of St. Catharines, the "father" of the Welland Canal and indirectly of the whole immense plan of the canalization of the St. Lawrence. In season and out of season, by public pamphlets and by private pressure on the administration, Merritt urged his plans. These included, first, his grand design—a shipway from the upper Lakes to the sea, designed to give Upper Canadian farmers cheap freights for their wheat on its way to England and to recapture the American west as part of the hinterland of the St. Lawrence ports. Secondly, he advocated business administration for his province. Let the government run its affairs as economically as the neighboring state of New York. Let it cast off paternalism. Let the people of the province make their own policies internally and externally. This latter cut right through the current mercantilistic conceptions which gave to London the right and duty of grand schemes of Imperial trade policy in return for the free or almost free intra-imperial market. Merritt was in line with the future, not with the past.

Finally, there was a group, representative of the Canadian frontier, duplicating the tendencies and doctrines associated with the American west. From newly settled rural areas came demands for cheap money, opposition to the banks and other vested interests of the older communities, advocacy of more frequent elections, of the application of the elective principle to the Legislative Council as well as to the Assembly and so on. 'Frontierism' found its leader in William Lyon Mackenzie; the rebellion of 1837, which he led, was in many of its aspects a typical pioneer movement against vested interests, comparable with Bacon's Rebellion in Virginia or Shay's in Massachusetts. While the rebellion failed, its influence went deep in Canadian history. Many of the causes which produced it have been exemplified at various times since, in other pioneer regions of the country.

## II

The rebellions of 1837 served warning that the British American colonies must sooner or later be given complete local self-government or the Empire be broken up. They represented a direct collision between exploitive mercantilism and local communal interest. Luckily for the British world order the crisis was resolved through the triumph in England of free trade ideas. Once the British themselves had destroyed the Imperial mercantile system, and had given their decision for *laissez-faire*, there was no logic in withholding local freedom from the colonies. But since logic does not always govern the hearts of politicians it was doubly lucky that a statesman of the calibre of the second Earl Grey should have been at the Colonial Office (1846-51) to effect the change readily and smoothly. He did so by the simple expedient of telling colonial governors that they must govern in accordance with the well-understood wishes of their people as determined by the ability of his advisors to command a majority in the Legislative Assemblies. That principle accepted — "Responsible Government," as it is called in Canada —, all else followed. Local self-government made the development of colonial nationalism inevitable and colonial nationalism was eventually to grow into national independence.

But the transition could not be made over night. In British North America almost a generation was required before an enduring solution was hit upon. This took the form of the formation of the Dominion of Canada in 1867, the first of the colonial states of the British Empire. This period from 1846 to 1867 was one of experiment, one subject to failures and successes, to new hopes and sharp controversies. In British North America, the mercantilist Empire had been closely associated with the sentiments — and interests — of a party, the Tories. These men were in possession. Naturally they developed veneration and emotion towards the system by which they kept possession. They were successful in evoking emotion among the masses. Canadian Toryism had its strength in the vested interests of the intelligent few and the conservative feelings of the simple many. When Great Britain adopted free trade and gave the colonies self-government,

it seemed to the Tories that the centre of the faith had suddenly befouled its own altars. This, combined with the severe depression of 1847-48 was too much for them and in 1849 the Tory merchants of Montreal came out with a programme of the annexation of Canada to the United States.

This disloyal and defeatist gesture discredited the Tories, the new party that ensued five years later — the "Liberal-Conservative" — accepted the new conception of Empire as a political and sentimental bond, not an economic one. The result was that the problems of Canada had now some chance of being studied in their own terms: one of the first fruits was the Reciprocity Treaty of 1854 with the United States, which gave the British North American colonies free entrance for their raw materials into that great market. This and other measures taken between 1846 and 1860 constituted what might be termed 'the first program of colonial nationalism' and it was the completion of this program to the degree of the colonies' abilities by about 1860 which brought about the conditions that hastened Confederation: there being no further large issues, party politics became factional and almost frivolous. What was needed was a new program and this Confederation supplied it.

The first program consisted in trade policy and internal improvements. Reciprocity has just been noted. Parallel to it, went, rather rapidly, the development of a colonial mercantilism of the same type as the old Imperial mercantilism but now no longer operated from London: the first provincial import duties carrying some protective intent were imposed in Canada in 1846. Twelve years later, a tariff, frankly protective in some of its items, even against the industrial products of Great Britain, was adopted. Whatever may be thought of its economic wisdom, it did have the important result of demonstrating Canadian autonomy in the economic as well as in the political sphere.

The internal improvements of the period consisted in the completion of the St. Lawrence canals (1849), the beginning of the great channel upward from the lower river to the port of Montreal, whose completion was to make that city the metropolis of Canada, and the construction of a great system of trunk rail-

ways. In 1848, there were virtually no railways in Canada. In 1860, rail connection extended from salt water to Lake Huron. But the link across the Appalachians to New Brunswick and Nova Scotia had proved too much for provincial resources and consequently the program had come to an end. The obvious next step was to extend the political and economic framework in a union of the colonies. This was subject to the difficulties confronting all acts of political amalgamation but eventually it was accomplished and in 1867 the Dominion of Canada came into existence.

The twenty years threw up various advocates of this or that line of proceeding and one distinguished group of men who began to think about the Canadian public domain in long range terms. Immediately upon the English abolition of the Corn Laws, an effort was made in Canada by the ephemeral but able newspaper, *The Canadian Economist*, to swing the province into line with the doctrines of international free trade: under the pressure of the interests of the time, this failed. It might have been better for Canada had she opened her doors to the products of the world in an effort to sell abroad, in the face of world competition, her staple timber and wheat, but the secondary groups that had attached themselves to these primary products were already too powerful and it was not long before the hay, oat and pork farmers (upon which commodities the lumber camps subsisted), the axe and saw makers, etc., were demanding protection for home industries. In 1858 they got it. Ever since, Canadian primary products have been weighted with the secondary, parasitic industries that cling to them. Centre of protectionism in the period was Alexander Tilloch Galt, a Montreal promoter and financier, who when he became Minister of Finance introduced the protective budget referred to, that of 1858.

Another complement to the collapse of the mercantile Empire was the movement for wider markets at last successfully embodied in the Reciprocity Treaty of 1854. The men behind that treaty were William Hamilton Merritt and his neighbors along the Welland Canal, men who saw that Canada must find an outlet for her primary products or disintegrate. Merritt's part



in the treaty has been obscured to history by the prominent role of the governor-general of the time, Lord Elgin, and by the greater skill of a more prominent politician than he, Francis Hincks, who became Premier in 1854. Hincks was not disposed to allow rivals on the stage, especially as his own line was rather similar to Merritt's — internal development, sound administration and free use of the public power in finance to aid the projects undertaken.

The only men with pretensions to a social philosophy who made their appearance in the period were those who from their points of vantage in the Civil Service or the new University of Toronto were able to take a somewhat objective glance at the Canadian scene. What they saw was a country in which most of the good land was already in the hands of the speculator or the settler and more had to be found if the young men were not to be drained off to the western states. They turned their attention to the Hudson Bay Territories in the west and to the forest lands of the north. From these latter reckless exploitation was shearing the forest, revealing underneath it land that was good for nothing else but to grow trees. They soon saw that genuine settlement was impossible in these lands, those of the "Canadian Shield," a region of little soil. As a result, the first conservation movement in Canadian history made its appearance. It is associated with the able group of civil servants in the Department of Crown Lands at the time, with a few engineers such as Walter Shanley and T. C. Keefer, with Professor Henry Youle Hind, and the Auditor-General, John Langton. Such men soon stumbled upon the principle that must underlie a healthy society even in a new country — the provident use of nature's bounties, which for practical purposes in the Canada of the day meant the classification of land; — good land to be farmed and the rock country to the north to be kept under forest, with a system of administration designed to bring in the maximum revenue to the public treasury. Their efforts in those early days when the forest was supposed to be "inexhaustible" could not be more than educational but fortunately, by accident, the system has been followed in Canada of not alienating title to forest lands. "Timber limits"

are sold or leased but the Crown may always re-enter and may impose new conditions on the concession when it deems fit. Hence such men as Mr. Russell of the Crown Lands Department were able to shape a timber lands policy that laid the foundation for the present departments in Ontario and Quebec (which have influenced those of New Brunswick and the western provinces). The result has been that while a low level of political integrity has allowed private interests to carry off much of the public wealth in the years since, the provincial treasuries have been able to benefit very considerably from the public forest domain and the way has gradually been laid open for sound forestry practices.

More important perhaps is the implication to be drawn from early thought on conservation. As conservationist doctrines have developed, having opened the gate in this one field to action by the state, they have necessarily opened it in others too. The paternalistic type of state that we have today in such a Canadian province as Ontario with its ready acceptance of the principle of "public ownership," so at variance with the *laissez-faire* and private enterprise conceptions still stubbornly clung to across the international boundary, goes back in considerable part to the quiet educative influence of the early conservationists and their successors.

Lastly, in this period, there was the perennial problem of the unprotectable farmer who has to sell his staple products — in this case, wheat — in a world market. As in the previous period, his difficulties gave rise to a political movement, which embodied the familiar range of ideas. This was the "Clear Grit" movement, an Upper Canadian agrarian split from the Reform party of the previous period. Its program recognized organized finance as its enemy and advocated the measures of a direct democracy — annual elections, an elective legislative council, etc. Strongly of the frontier type of agrarianism, aggressively Protestant and Anglo-Saxon, it found, like its predecessor of the 1830's, a leader in another bilious Scot, George Brown, whose intemperate agitations had a large share in forcing the condition of political deadlock out of which Confederation emerged.

## III

With Confederation, 1867, we pass into another stage of Canadian development. Within four years the boundaries of the country had expanded to the Pacific: clearly something too large for mere provincial existence had arisen. Public men of the time were touched by a new spirit, they had a vision, that of a second great federal nation-state in North America, which should avoid the mistakes of the first and assure to its people a plentiful and a good life. Colonial nationalism, in the chrysalis from 1846, burst its coverings in 1867: the slogan was a new state within the Empire, free within itself but part of a greater whole whose centre was still England. Here was the key-note of the next period of Canadian development, which may be taken as extending from 1867 to about 1888.

For many reasons, the nationalistic program of Confederation failed: within the period a new nation was not born; what occurred was a consolidation of old provinces. There were many reasons: Vision was confined to the few at the top, Confederation not being a mass movement anywhere. Most of the English-speaking population was relatively new in the country, many being residents of a generation or less. The majority of Canadians, old or new, were steeped in colonialism, either Irish or Scottish colonialism or the North American variant. There was too much divergence between the colonies and sections uniting. There were the difficulties of geography and transportation. The threat from the south which had hastened Confederation having been removed, there was not enough external pressure. Pervading everything there was the niggling, bitter attitude of Canadians towards their own country, so manifest then as now, which was in part the reflexion of the shock of the myriads of success stories coming out of the United States and conspicuously lacking at home.

But if the nationalistic program failed psychologically, economically it went from success to success. Confederation had done little more than sketch out the ground plan of the house; its framework had to be reared and this was the work of the twenty years after 1867. In origin and conception it probably had little

enough to do with any sentimental considerations of nationalism but grew out of the hard realism of men like Sir E. W. Watkins of London and A. T. Galt of Montreal, who saw in a larger political structure an opportunity for attaching the west clear through to the Pacific to the metropolitan domination of those two cities and keeping it out of the hands of the Americans. Their plans were grandiose and, both politically and economically, were not shared by the Liberals of the day, men such as Dorion, Holton, even Brown, to whom, true to the instinct of liberalism for the individual rather than the total, for the near rather than the remote, provincialism was good enough.

The economic program of Confederation may be taken as including the building of the Intercolonial Railway to connect Nova Scotia and New Brunswick with Canada and of a Pacific Railway to connect British Columbia with Canada, as comprising the establishment of a national banking system, and eventually of a decidedly protective tariff, the so-called "National Policy" of 1878, never since departed from. The whole program might well be given the name of the National Policy, for apart from the aspects of selfishness and greed which it possessed—and it possessed many—its objective was quite simply the creation of the economic and physical structure of a state. It was nation building on a grand scale. By 1873, the Intercolonial Railway had drawn in the eastern provinces and by 1886 the Canadian Pacific the western. The great ship channel from Montreal to the sea had established the dominance of that city. The great chartered banks had followed the railways from coast to coast as had the eastern life insurance companies. In the interests which it attached to the Confederation the protective tariff had formed a solid basis for a national government. A national debt had been created, binding finance to the national structure. All the physical apparatus of a great state had been built.

All this had been done with little appeal to theory. Liberalism, in office for five years from 1873 to 1878, had again shown its weaknesses when faced with a job of construction. In its Prime Minister, Alexander Mackenzie, it had revealed itself as the tall



end of free trade internationalism, transplanted from a country where that practice was beneficial to one where all the dice needed to be loaded in favour of the local community if it was to keep itself from being sucked dry by metropolitan centres. In Mackenzie and in its great brain, Edward Blake, both of whom opposed the ambitious Pacific Railway proposals of Sir John Macdonald and his political friends, it had exhibited that rather timorous intellectualism that has so often been its destruction. And in the foremost of its provincial politicians, Oliver Mowatt, Premier of Ontario, it had continued to be mere provincialism. Liberalism with its tape measures of the moderate, the reasonable, the intellectually defensible, was not the creed for state building. That task needed something of the recklessness and *joie-de-vivre*, the flamboyancy and even irresponsibility of the Tory. All these qualities were supplied by the remarkable man in charge of Canada's destinies for so many years, Sir John A. Macdonald, Prime Minister 1867-73 and again 1878-91. One searches in vain for considered enunciations of Macdonald's philosophy, either economic or political. He probably did not have very much, except to stay in office, meet life joyously and get on with the job in hand, state-building. In this he was eminently successful and the Canada of today is his monument.

The period is strongly marked with the basic characteristics of Canadian history mentioned above — mercantilism towards the outside world and *laissez-faire* within. The time for the challenge of complete freedom of enterprise had not yet come. But since there was no trace of a theoretical foundation for this creed, the door was ever open to state action. There was therefore nothing anachronistic in the public construction and ownership of the Intercolonial Railway and the large amount of public aid and privilege going to the Canadian Pacific. Never in Canadian history has public enterprise been fought with the bitterness it has encountered in the United States. The door has always been open to state capitalism if and when practical judgment has deemed that necessary.

## IV

After the completion of the Canadian Pacific, the nation building projects that suggested themselves had been carried out and there seemed little to do but to wait until a family moved into the house. This it seemed loath to do. In fact so many people left the country for the United States that serious fears were expressed for its stability. The root cause of emigration and of the failure of the Canadian west to fill up as had the American, was the steady fall in prices that had set in after the American Civil War. The price of wheat did not warrant pioneer farming in the rigorous conditions of the Canadian west and thousands of settlers who went out moved away to the United States. Matters in the 1880's were proceeding from "Lamentations unto Exodus" according to a politician of the day. Canada being once more faced with the necessity of a radical review of her affairs, the depression of the late 1880's therefore ushers in another easily distinguishable phase of development. From about 1885 until 1911 Canada was swinging uneasily between two metropolitan orbits. Great Britain and the United States. Would she continue to remain a nation colonial to Great Britain or would she slip into a new colonial dependence, that on the United States? The period contains a succession of episodes revealing the 'pull,' first in one direction, then in another.

About the year 1885 there was launched in Great Britain the Imperial Federation Movement designed to drag the self-governing colonies back from the abyss of nationalism yawning in front of them and give them all a renewed provincial existence within a kind of super-national state, composed of Great Britain and themselves. The movement attracted much traditional sentimental support in Canada but no responsible statesman was ever found ready to promise his adhesion to it: centrifugal forces had gone too far. On the other hand, born out of the depression there grew up at the end of the 1880's another Annexation movement, thinly disguised by the names of "Unrestricted Reciprocity" and "Commercial Union" and this time supported not by Tories but by Liberals. The retort to this was Macdonald's last election, 1891, won on the slogan "A British subject I was born, a British subject

I shall die." This victory marked a trend towards Imperialism (that term being used in its ordinary Canadian sense of close association with and dutiful filial subordination to the government in London) which was strengthened by the events of the next ten years — the Diamond Jubilee of Queen Victoria in 1897, especially the events in South Africa culminating in the Boer War. In that war French Canadians saw little but Imperialistic conquest such as they themselves had once experienced: good Roman Catholics, they would have subscribed whole-heartedly at the time to Marxian theories of economic determinism. Their spokesman for that point of view was Henri Bourassa, who may be considered the founder of the modern nationalistic school of French Canada. Sir Wilfred Laurier, who had become Prime Minister in 1896, a Catholic and a French Canadian himself, tried to hold the balance between the two races and it is to be suspected that to the day of his death he had not entirely made up his mind as to the proper role for Canada in the world.

English-Canadians, on the other hand, saw in the Boer War a kind of jolly adventure in which they were playing the role of the lion's cubs: they embraced Imperialism (in the usual sense of dominance) vicariously and with enthusiasm; they were partners in a good firm. As evidence of their partnership they had approved of Laurier's device of 1898, "Imperial Preference," that is a reduced tariff rate on goods imported from Great Britain.

In 1903 their enthusiasm received a douche of cold water in the Alaska boundary settlement. Most Canadians believed that their interests had been betrayed by British diplomacy. This incident pushed Canada further away from Great Britain but certainly not closer to the United States; that is, Canadians for almost the first time began to see that they could depend neither on the one nor the other of the two English-speaking nations, but only on themselves.

These dim beginnings of self-reliance were re-inforced by the prosperity that had set in towards the close of the century. Rising prices made wheat-growing once more profitable and the end of free land in the United States diverted part of the westward stream to the Canadian prairies. Immigrants from abroad began

to pour in, too, and early in the new century it became evident that a new Canada was rising. In 1905 two new provinces were formed in the west, Saskatchewan and Alberta. New transcontinental railways were built. Population rushed upward. Greatly in contrast with the semi-stagnation of the previous generation, the pulse of life was felt everywhere. Canada enjoyed some of that fantastic prosperity which had underlain many of the flamboyant characteristics of the rising American nation—she produced, though in lesser numbers and paler colours, her characters, her nouveau-riches, her picturesque politicians and her impudent ralsals. It was the era of bigger and better things, of "grab," when "the sky was the limit"—all very childish and transitory, no doubt, but a period in the adolescence of most American societies.

Two more episodes during the period indicate growing unwillingness to get too close to either of the senior English-speaking nations. In 1907 the name of the Colonial Conference, which had been meeting in London since the 1880's, was changed to "Imperial Conference" but all attempts to draw Canadian statesmen into agreeing to change it from a consultative body to an executive of Empire were in vain. Similarly and even more decisively, the country in 1911, on a sentimental appeal to the masses, rejected the advantageous offer of reciprocity made by the United States. The Reciprocity election of 1911 was won by "flag-waving," as had been that of 1891, but it was noticeable that the arguments of the flag-wavers—Tories, of course, along with some Liberals whose interests were sheltered by the "National Policy"—were much more in terms of maintenance of Canadian autonomy than of the British connection. Canada, having rejected all suggestions of a federalized or centralized Empire, had now also rejected the suggestion of closer relations with the United States. Wisely or unwisely she obviously had decided to stand politically and economically on her own feet.

As long as the country had been a kind of captive balloon, it could have little personality of its own and therefore no contribution of importance to make to the world of thought. But with its feet on the road to nationalism, ideas began to appear. The dawn of Canadian intellectualism is perhaps marked by the long



residence in Toronto of Goldwin Smith, the brilliant Oxford professor who had also held a chair at Cornell. Retired to Toronto, he spent his days and fortune trying to prove to Canadians that their experiment was illogical and absurd, and that their best course was to have their country cease and determine. He was Cobdenism in the flesh but Canada had made its decision against Cobdenism as early as 1846 and Smith consequently did little for Canadians but annoy them. Nevertheless he contrasts favourably as a ferment with men like Principal Grant of Queen's University, the latter the author as a young man (1872) of the book *Ocean to Ocean*, a description of a journey across the continent made by Sir Sandford Fleming, the engineer and inventor of "Standard Time," with Grant accompanying. *Ocean to Ocean* is descriptive—and descriptive mainly merely of more British possessions. Nor did Grant in his comments on public affairs in the *Queen's Quarterly* (established 1893) appear to get much beyond the colonial position: apart from one declaration that Canada must go on to complete partnership with Great Britain—and with the United States, when that nation would consent to recognize its Anglo-Saxon essence in some great union of the race—he does not seem to have got beyond the position of colonial nationalism. Consequently his comments on economic problems were either ephemeral or from the viewpoint of his conception of the Empire rather than of Canada.

The first native economist and academic thinker, the first to see the Canadian problem in its own terms, was Adam Shortt, who began teaching at Queen's in the early 1890's. Shortt was apparently not committed to pure *laissez-faire* and certainly not to the Chamberlain concept of an Imperial Zollverein, in which Great Britain supplied the manufactured goods and the colonies the raw materials. He was opposed to unlimited indiscriminate immigration, favouring sane internal development and ridiculing the shoddy selfish optimism of the "boomster" promoter. Thus he wrote caustically of the riotous land speculations going on in the West and of the numbers of persons to be found there patently unfitted to that country. He seems to have been a moderate nationalist and after he had begun to make his weight

felt at Queen's, the *Quarterly* took on a more native tone, with more discussion of Canadian issues and less use of the phrase "the Government" as meaning the government of Great Britain. This was from about 1898: prior to that year this single example of academic journalism in Canada was mainly conventional and colonial.

Shortt was the only senior economist prior to 1914 to see Canada through Canadian eyes, those at other Universities being either old-countrymen, or colonials. He left a school behind him which has had vast influence in Canadian development. Since many of those influenced by him are still living, the names of his disciples will not be mentioned, with the exception of the late Deputy Minister for External Affairs, C. D. Skelton, who succeeded Shortt at Queen's and later became the permanent head of Canada's foreign office. Skelton's place in Canadian life can hardly yet be assessed but it may be predicted that he will turn out to have been one of the founders of Canadian political and constitutional nationalism while he was at the same time a man broad-minded on international aspects of economics.

The Reciprocity election of 1911, it has been suggested above, ended the period of Canadian indecision as between London and Washington by shoving the country into the necessity of looking after itself. Few realized it at the time but insofar as the national will can control circumstances, the election had determined the issue of two rival metropolitanisms in favour of neither of them but for independence. As Canadian inclusion in the British Empire has not rested on coercion for many years, independence in the case of this peculiar country means, not political independence, for which no struggle of importance against the motherland has been necessary since 1846, but psychological independence, the realization by Canadians of their separate personality. This process has been going on very slowly over the generations: it has been greatly hastened by the events since 1911 but it is by no means yet completed.

The First World War, following on the election of 1911, gave the country a decided push in the direction of self-consciousness. It was waged in much the same spirit as had marked the

preceding decade. Canadian troops on the battlefield showed the same fierce energy as had the western pioneer, or the northern railway builder. At home, the "developer" psychology carried over, rendering possible a quick mobilization of natural resources and their utilization for war production — not without waste and some corruption. The supply side of the war was a matter of expanding Canadian industry under individualistic drives. "Work hard and pocket the profits" might have been the motto of those days.

After the war and partly thanks to it, the country found itself the owner of a transcontinental railway and a miscellaneous collection of branch lines: this was all organized into the enormous system now known as The Canadian National Railway. Thus Canadians had again demonstrated their completely empiric approach to economic problems. No one particularly wanted the state to own the railways of the country and not many objected violently to its owning them. In this colossal piece of state capitalism, which dwarfed even the very ambitious electric power enterprises of the province of Ontario (known collectively and familiarly as "The Ontario Hydro"), the word socialism was not even mentioned. Today in Toronto, stronghold of private enterprise, when a citizen gets on a street car, it is a municipal street car; when he turns on the electric light, it is light from power developed and transmitted by the province; when he leaves the city by train, he has his choice of one private railway company and one public, owned and operated by the people of Canada. Yet that citizen would probably not admit that he was living under a semi-socialist regime. Indeed the word "socialism" might still frighten him.

Not only did the war advance collectivism in Canada but in its indirect results it soon showed up the antithesis between the economies of nationalism and metropolitanism. Before the war the western farmers had had little reason to doubt but that there would be a market abroad for all the wheat they could grow: while they had objected to the tariff on the things they had to buy, good foreign markets and rising prices had enabled them to carry it. In any case they were not mature enough as a

class to meet and defeat the older and more strongly entrenched industrialists of the East. After the war European attempts at self-sufficiency began to worry the West and only the withdrawal of Russia from the export market enabled it to expand its production. But gradually as the state became more and more the regulator of national economics, country after country cut down on imports of wheat and from 1920 on the staple crop of Canada, having passed the capacity of the original metropolitan market, Great Britain, was threatened. The results of shrinking markets abroad for the Canadian farmer, especially the wheat farmer, have been patent on every page of Canadian history since. In fact they constitute the core of Canadian history.

Reactions took three broad lines: first, efficiency and aids to efficiency were demanded by the farmer in the form of low rail rates and protests against the tariff. This attitude was the basis for the new rural party that sprang up in 1921, the Progressive party. The western farmers wholly and other farmers partially were international men economically, but the westerners curiously enough tended to be sympathetic with nationalism politically. In this they contrasted sharply with the eastern manufacturers who provided the second broad type of reaction. Many if not most of the men were pronounced in their "Imperialism," vociferous in their "loyalty" to Great Britain, but at the same time individually and in their organization, the Canadian Manufacturers' Association, they formed the interest group that fought every suggestion for a reduction in the general tariff or in the rates charged under the British preference. The loyal sentiments of Canadian manufacturers towards the mother country did not extend as far as allowing any of her products to come in that could be kept out by tariff and the quandary of a staple-crop country for which the manufacturing population of Great Britain formed the principal market was left for the farmers to solve. "Loyalty," "Imperialism" and other traditional and sentimental cries were often a screen for selfish local industrialists, a method by which they fought free trade.

But it would be impossible here to analyze all the issues behind the Canadian tariff: two may be mentioned—the first,



the continuing tradition of "The National Policy" of 1878, the second, a lazy mercantilism that having once committed the state to its maintenance was loath to part with its privileges. Those infant industries of the 1870's which had never grown up — and they were many — were encouraged in inefficiency and poorness of product by a tariff under which they had the smallish home market to themselves. Poor quality, poor design, skimpy measurement, marked many Canadian products: a "tariff mentality" to correspond, lacking in generosity and self-reliance, was to be observed.

The third type of reaction, and it included the majority of Canadians, was that of the frankly puzzled: something had happened to the world, they knew not what. They did know, however that they were insecure and that their position was becoming worse, not better. It was from this group and its more or less blind effort to rescue itself that there stemmed all the false starts and nearly all the political experiments, sound and otherwise, of the post war years.

The most ambitious and traditional of these experiments was the return of R. B. Bennet, Conservative Prime Minister 1930-1935, to a scheme of Empire mercantilism. His ideas, colonial to the core politically, went back economically to the earlier Empire, where trade had been regulated in accordance with the grand design of a great British *Reich* with ample *Lebensraum* at its command. But he was of course not willing to leave regulation in the hands of any government in London. Hence his device of the Imperial Economic Conference of 1932 in which a series of bi-lateral treaties between the various parts of the Empire set up something like the embryo of a British Empire *Zollverein*. Enough tariff remained everywhere for hard bargaining between the members and there is no record that Canadian Tories allowed their "loyalty" to Great Britain to interfere with the hardness of the bargain they drove.

Bennet's bold attempt to dragoon the British into providing a market for Canadian staples, wheat, lumber, etc., without giving them anything very much in return, while it succeeded in coercing the British government of the day, eventually failed. It failed

on the stubborn obstinacy of British purchasers of these raw materials. Timber merchants, for example, preferred cheap Russian timber, even if it was dyed in communism, to true blue Canadian wood at a higher price, and their government—the notorious Macdonald-Baldwin cabinet—unwilling to oppose them, managed to slide out of the most obnoxious of the conditions imposed upon it at Ottawa. This second attempt at Imperial mercantilism derived directly from the first through the provincial traditions and interests of the Prime Minister—he had been brought up in one province, New Brunswick, that had never forgotten the good old days of the differential duties on its principle product, timber, and he had lived his mature life and had his business interests in another that stood equally to benefit by a British preference on wheat, Alberta. Like the first it failed because it did not accord with the interests of the major consumer, Great Britain. Colonies had found again that they could not coerce their metropolis.

In the very summer of the Ottawa Economic Conference there was formed the first national Canadian party to take the social question for its program. Traditional Liberalism had been a combination of agrarianism and individualism, with dashes of imported laissez-faire doctrines. Traditional Conservatism had represented exploitation and state building, largely in the interests of the exploiting classes. Now various individuals and groups came together to form a semi-Socialist party, which equipped itself with the cumbersome name of "Co-operative Commonwealth Federation," soon shortened to "C.C.F.". It was a Cave of Adulam for left wing interests, gathering up some support from labor (especially among old country men who had brought from Great Britain the traditions of the English Labour Party), but failing to secure the adhesion of organized labor as a whole, some of the more leftish of the now deceased Progressive party, some doctrinaire Socialists, of whom the number in Canada previous to the depression was microscopic, many intellectuals—it was overweighted with intellectuals—rapidly becoming disgusted with the old selfish conceptions of society, and headed by a great humanitarian, J. S. Woodsworth. Woodsworth, previously a

Methodist minister, had few doctrines but he hated injustice and he had a burning conviction that the Lord required of him and his country to do justice and to love mercy. He was a saint, but not a politician or an economist, a prophet rather than a political strategist. Nevertheless it is around his personality and under the auspices of his spirit that Canadian Socialism was launched. It is thus necessarily eclectic and, in the Canadian tradition, even empirical, carrying along with it a minimum of doctrine. To secure many adherents in a completely empirical country, it cannot afford to indulge in much abstract talk, little of which would be understood. As it gains in experience and in numbers, it will therefore, it may be predicted, become more and more diffused in its program, following the precedent of the older parties. For there is no place in Canada for the doctrinaire: outside Quebec, where *notre langue, notre foi et notre loi*, is the immutable doctrine of all parties, parties in Canada must be catholic: —if they are to get anywhere they must be all things to all men, for they must embrace within their ranks the most diverse and contrary interests scattered over eighty degrees of longitude.

It may seem strange that a party whose avowed object is to create a state in which wealth will be more equitably distributed, has not succeeded in securing the adhesion of labor. The explanation lies in two points: —the international affiliations of the older and stronger Canadian labor unions, which take their policy from the *American Federation of Labor*, and the internal divisions of Canadian labor. There are several major groups of unions, which have no communications with each other, prominent among them the Catholic Unions of Quebec, separated by language, faith and a philosophy from the others. A third explanation might be added: —the small degree of organization of Canadian labor, up to 1942 not very much more than the old crafts having been unionized. The majority of working people therefore act as individuals in their party affiliations and many of them are as yet merely traditional.

Canada like other countries has had its experiences with revolutionary socialism or communism. Communism was of little importance before 1929: its adherents were mostly foreigners

and the country was too prosperous to take much notice of extreme doctrines. After the depression began it found its opportunity and a few English-Canadian leaders. Since then the pertinacity of its members and obliging persecution on the part of authorities have strengthened it. R. B. Bennet, while Prime Minister, abetted, it is said, by the then Commissioner of the Royal Canadian Mounted Police, undertook vigorous measures against it, invoking a law that had been put on the books during the post-war excitement of 1919 and securing the imprisonment of several men for no better reason than that they were Communists. To Mr. Bennet and the men about him, Canadian Communism owes a debt of gratitude. Since the present war began, the suppression of the Communist party (it is asserted sometimes at the instance of the church authorities of Quebec) has still further strengthened it, for "suppression" has merely meant a change of name and now the German-Russian war has made it almost respectable. Communism may have a future as a disruptive influence in Canadian life and if the requisite statesmanship is not forthcoming in reconstruction, it may even be successful in asserting its revolutionary tenets. For in Canada, as elsewhere, the social question must be faced.

Socialistic groups have grown with the country's increased industrialization. But it must not be forgotten that Canada is still predominantly a land of farmers and small townsmen. Voices from these quarters are raised spasmodically but sometimes they speak loudly. One such outburst was the movement of rebellion against official Conservation in 1935 headed by Hon. H. H. Stevens. Stevens's program boiled down to 'soft' money: he made an appeal to the small men of the towns and cities caught in the deflationary process but his candidates everywhere failed of election and he became a party of one—until he quietly found his way back to his original Conservative fold.

More important was the political upheaval that came out of Alberta as a result of the depression. Alberta has been Canada's "last frontier," a stronghold of sturdy agrarianism. It contains a large population of American immigrants from states such as Nebraska which as semi-frontier communities had provided sup-



port for William Jennings Bryan in his free-silver campaigns of 1896 and 1900: these men and their children have been ultra-susceptible to cheap money doctrines, as have all frontier communities throughout the history of the continent. They formed the most vigorous contingent in the Progressive party and the fighting nucleus of the "United Farmers of Alberta," who governed that province from 1920 to 1936. But the *United Farmers* had crystallized in office, they had no more novelties left to offer a population that was determined to "try anything once" and so they could not weather the hard times. In the elections of 1935 their representation in Parliament fell before a campaign based on as fantastic a program as had ever appeared in Canadian public life.

This program consisted in the "social credit" doctrines of the Englishman Major Douglas, taken up and popularized by a group centering around a vigorous and picturesque Calgary school teacher and revivalist, William Aberhart. It was not the first time that "crack-pot" monetary and religious ideas had formed a team and probably not the last. A slogan of "twenty-five dollars a month for everybody" carried the province for the Social Crediters and shortly afterwards, a provincial election supervening, they swept into power in the province and Aberhart became Premier of Alberta. Since then his government has distinguished itself by a certain amount of debt repudiation, by an intermittent crusade against the chartered banks and eastern interests generally, by legislation intended to alleviate farm debtors—much of which has been declared *ultra vires* by the courts or disallowed by the Dominion Government—and by mild monetary experiments (its constitutional powers being small in this respect) such as the issue of a provincial "scrip" in part payment of provincial salaries. Needless to say, "twenty-five dollars a month" for everybody has not flowed from the public treasury.

Social Credit has also been toyed with by certain clerical circles in Quebec, more remarkable for their good intentions than their economic understanding and it has undoubtedly been an incentive to the schemes of various cranks such as Townsend in California.

Subtract all these groups and parties from Canadian life and what is left? The great, hold-all party that has been in power for all but seven years of the twenty-three since the end of the last war, the center party containing the vast mass of people who have no particular doctrine and no particular view of society, the party of the well meaning, the puzzled, the average, the Liberal Party under its exceedingly representative head, Mr. Mackenzie King. It would be hard indeed to describe the economic doctrines of this party, for they are as various as its support and that is drawn from every quarter, race, religion and interest in Canada. To Canadian Liberalism there still clings something of the old classical cult of internationalism, *laissez-faire* and free trade. But it is agrarian to the farmers, vaguely sympathetic with Labour, industrial to the manufacturers, and orthodox to the French. It is the most successful of Canadian parties because it is the most catholic. It is all things to all men. It 'moves with the times' but no one would say it moves ahead of the times. If it was for individual enterprise yesterday, it is for social amelioration today and it may be taking steps towards industrial socialism tomorrow. The genius of the party is exactly reflected in its leader, whose mottos might well be "let nature take its course;" "don't cross the bridge until you come to it" — then make sure it is safe, but don't absolutely refuse to cross.

The government based upon this Liberal party is conducting Canada through the Second World War because it can be all things to all men; it is doing it rather successfully. It has built up an impressive structure of collectivism albeit disavowing socialistic intentions. It has assumed unlimited authority but it has little dictatorial flavour. It is doing the job in hand as best it can, rather too slowly and indecisively perhaps, because working in channels flowing against its original genius and certainly against the natural instincts of the Prime Minister, but doing the job, and doing it in a completely empiric manner without any attention whatsoever to this theory or that theory and with very little regard apparently for the ultimate effects. This is at least the historical Canadian way of proceeding.

The generation of nationalism that has now passed in Canada

has been packed with incident and argument: there has been more ferment in Canadian life perhaps than in all previous history. The broad lines may be seen in the nature of parties as outlined above. In limited space it would be impossible to give detailed description of this or that individual's contribution. But it is possible to say that the attention to Canadian problems in their own terms which a man like Adam Shortt first manifested has been continued and greatly broadened. There is now a respectable body of Canadian economic thought which in breadth and learning goes far beyond the pamphleteering of former days. As was perhaps inevitable, this has mainly taken the form of analysis. Canadian economists, geographers, historians and economic historians have had as their primary task the job of making clear the nature of Canada as a geographical entity, as an economy, as a population, as a body politic extending in time as well as space and as a sphere of exploitation during time. This has taken twenty-five years and it is not yet by any means complete. The period has been marked by numerous monographs, studies and series of studies, together with appropriate periodical publication. Altogether it may be asserted that the academic has contributed powerfully to revealing the nature of his country to his countrymen and thus to establishing it as a personality.

But few Canadian social scientists have gone much beyond the stage of analysis. So far no wide-ranging works have appeared. (The first Canadian book on theoretical economics has appeared in May 1942.) Neither historian nor economist has yet done much thinking in philosophic terms. While the economists have tended to be acute analysts or "social engineers" who could work out the statistical basis of a problem that someone else had raised or the necessary administrative features of a policy, save in certain technical areas, as for example, a national bank, they have not had a program. That they have left to their somewhat more doctrinaire brethren who have thrown in their lot with the left wing party—the C.C.F.—or to the cranks. Often they have then berated the cranks for having a program. Nevertheless if one of the brotherhood may dare say so, the Canadian social

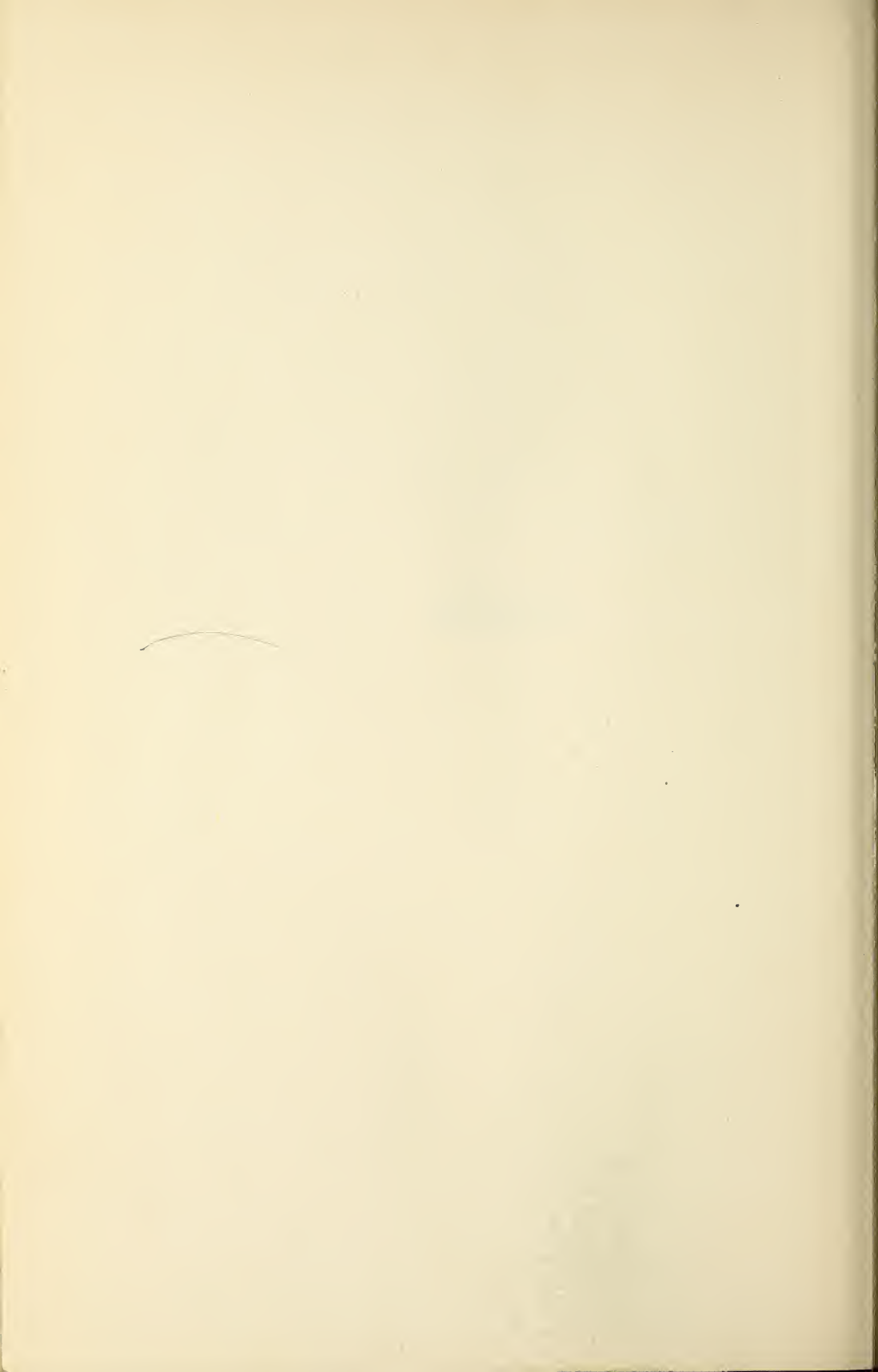
scientists during the last quarter century have deserved well of their country.

This paper must end with the Second World War and Canada steadily steering towards realization of that objective which has been constantly but often sub-consciously held in view since 1846, that of nationalism. How complete a degree of nationalism she will be able to maintain in a steadily shrinking world and especially in face of the growing closeness of relations with her great neighbour, remains to be seen. It may be predicted in closing that her most difficult problem on the re-establishment of peace will be precisely what her most difficult problem always has been — the reconciliation of a program of nationalism with one of that metropolitanism forced on her, it would seem, by her natural staple trade aptitudes.





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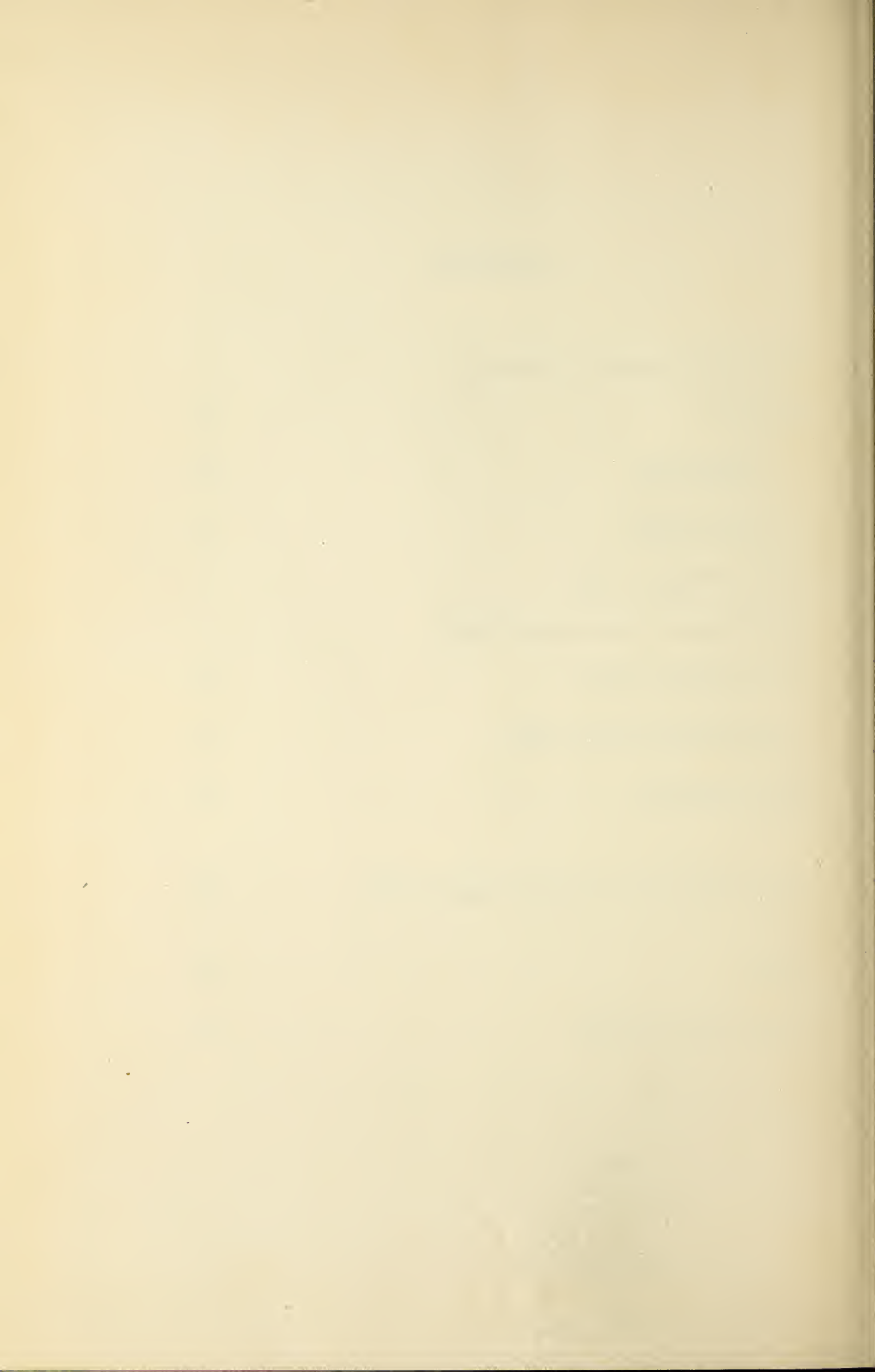
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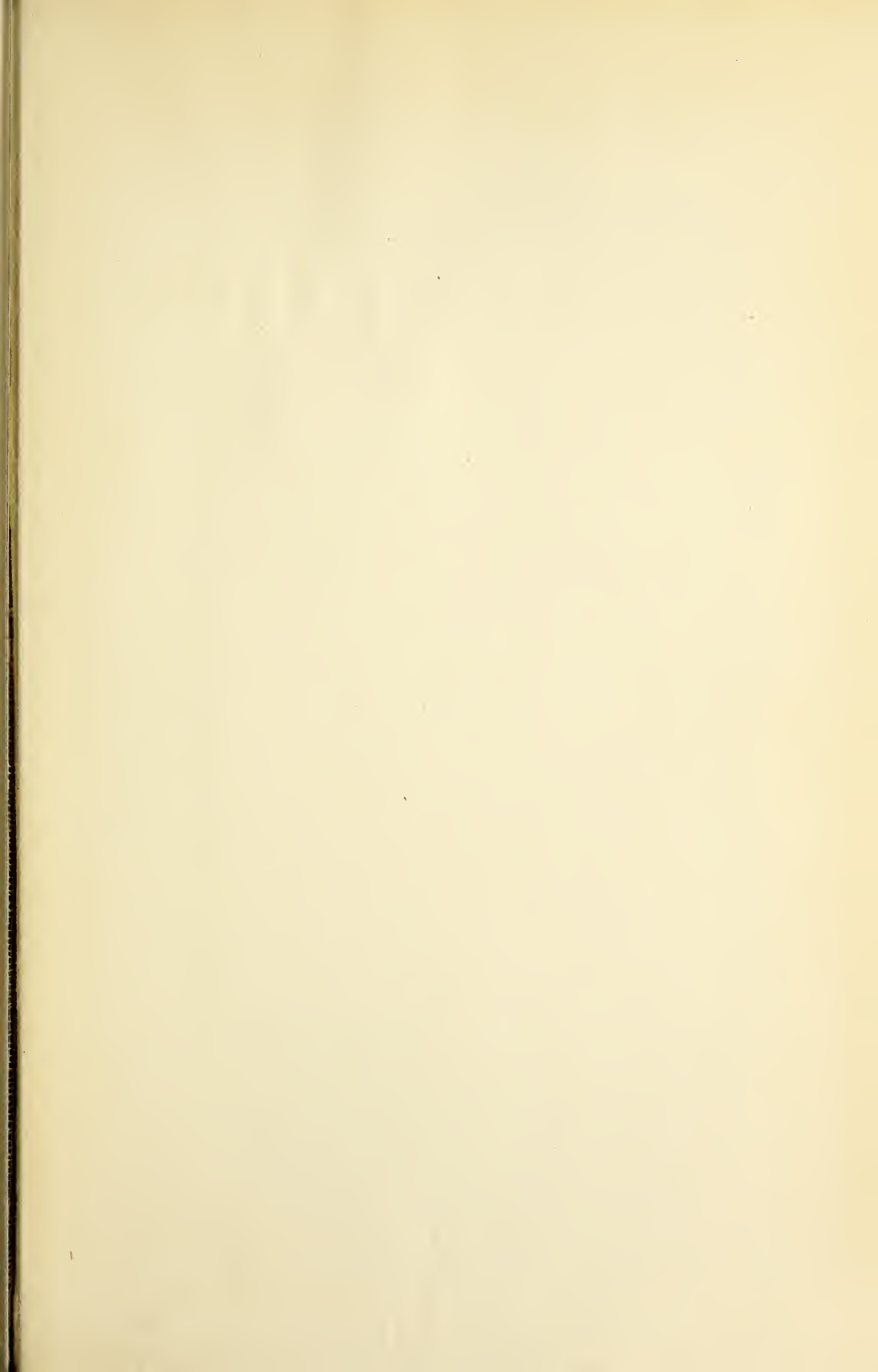
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